

FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF HAWAII  
HOUSING AND COMMUNITY DEVELOPMENT  
CORPORATION OF HAWAII

Year ended June 30, 2002

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Report of Independent Certified Public Accountants

Board of Directors  
State of Hawaii  
Housing and Community Development Corporation of Hawaii

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the State of Hawaii, Housing and Community Development Corporation of Hawaii as of and for the year ended June 30, 2002, which collectively comprise the Corporation's basic financial statements as listed in the contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note A, the financial statements of the State of Hawaii, Housing and Community Development Corporation of Hawaii, are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2002, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii, Housing and Community Development Corporation of Hawaii as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
State of Hawaii  
Housing and Community Development Corporation of Hawaii

As described in note A, the State of Hawaii, Housing and Community Development Corporation of Hawaii has implemented a new financial reporting model, as required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2001.

Management's Discussion and Analysis on pages 6 to 16 and Budgetary Comparison Schedules on pages 81 to 83 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary information as listed in the accompanying contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Honolulu, Hawaii  
November 4, 2002

State of Hawaii  
Housing and Community Development Corporation of Hawaii

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

This section of the Housing and Community Development Corporation of Hawaii's (Corporation) annual financial report presents management's discussion and analysis of the Corporation's financial performance during the fiscal year that ended on June 30, 2002. Please read it in conjunction with the Corporation's financial statements, which follows this section.

Because the Corporation implemented new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparison will be more meaningful and will go further in explaining the Corporation's financial position and results of operations.

**FINANCIAL HIGHLIGHTS**

- The Corporation's total net assets increased by \$14.2 million to \$665.3 million, as of June 30, 2002. The total increase in net assets was attributed to increases in both the Corporation's proprietary and governmental funds of \$4.5 million and \$9.7 million, respectively.
- Operating income of the Corporation's enterprise funds declined approximately \$28.5 million, from \$33.1 million in the prior year to \$4.5 million in 2002. The decline was due primarily to the following items:
  - HUD grants decreased by \$6.5 million from the prior year. This was primarily due to two comprehensive grant programs that expired and were fully expended in the prior year.
  - Revenues from sale of land decreased by \$5.6 million from prior year.
  - During the fiscal year ending June 30, 2002, the Corporation revised its revenue assumptions and cost to complete estimates of the Villages of Kapolei. Changes in those estimates resulted in the reallocation of development costs and approximately \$36.7 million of additional costs to complete estimates. Consequently, for the 2002 year, reallocated costs of approximately \$23.0 million were charged to cost of land sold for land previously sold. The cost of land sold in fiscal year ended June 30, 2001 was approximately \$14.9 million.
  - During the 2002 year, the Corporation recognized approximately \$3.5 million of losses on disposal of property and equipment.
  - Lower investment yields resulted in decreased investment income of \$4.7 million.
- The Corporation's revenue bonds payable outstanding balance of approximately \$836.0 million as of June 30, 2002 is a decrease of \$7.4 million from the amount outstanding as of June 30, 2001. The net decrease is the result the issuance of approximately \$40.2 million of new bonds of which \$36.8 million was due to 2002 Single Family Mortgage Purchase revenue bonds and bond redemptions of approximately \$47.6 million, of which \$37.3 million were early redemptions.

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**FINANCIAL HIGHLIGHTS (continued)**

- At the end of the fiscal year ending June 30, 2002, the Corporation's governmental funds reported a combined ending fund balance of \$15.3 million, an increase of \$3.4 million in comparison with prior year. Approximately 43% of this total amount, or \$6.6 million, is unreserved.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial statements consists of four (4) parts: management's discussion and analysis, the basic financial statements and related notes to the financial statements, other required supplementary information, and other information. These components are described below:

*Basic Financial Statements*

The basic financial statements include two kinds of statements that present different views of the Corporation:

- The first two statements are Corporation-wide financial statements that provide information about the Corporation's overall financial position and results of operations. These statements, which are presented on an accrual basis of accounting, consist of the Statement of Net Assets and the Statement of Activities.
- The remaining statements are fund financial statements of the Corporation's governmental funds, for which activities are funded primarily from appropriations from the State of Hawaii or by contributions from the U.S. Department of Housing and Urban Development (HUD) , and the Corporation's major and non-major proprietary funds, which operate similar to business activities. The governmental funds are presented on a modified accrual basis of accounting. The proprietary and the fiduciary funds are presented on an accrual basis of accounting.
- The basic financial statements also include a "Notes to Financial Statement" section that explains some of the information in the Government-Wide and the Fund financial statements and provides more detailed data.
- The "Notes to Financial Statements" are followed by a "Supplementary Information" section, which presents a budgetary comparison schedule, which is Required Supplementary Information and information on non-major funds, which is not required.

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Government-Wide Financial Statements

The government-wide statements report information about the Corporation as a whole using accounting methods similar to those used by private sector companies. The statement of net assets provides both short term and long-term information about the Corporation's financial position, which assists in assessing the Corporation's economic conditions at the end of the fiscal year. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the Corporation's activities are business-type activities and are reported in its proprietary funds. The government-wide financial statements include two statements:

- The *statement of net assets* presents all of the Corporation's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the Corporation's net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.
- The *statement of activities* presents information showing how the Corporation's net assets changed during the most recent fiscal year.

The government-wide financial statements of the Corporation are divided into two categories:

- Governmental activities-The activities in this section are primarily supported by State of Hawaii appropriations or by the U.S. Department of Housing and Urban Development (HUD) contributions.
- Business-type activities-These functions normally are intended to recover all or a significant portion of their costs through user's fees and charges to external users.

Fund Financial Statements

The fund financial statements provide more detailed information about the Corporation's most significant funds and not the Corporation as a whole. The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. Funds are either reported as a major fund or a non-major fund. The Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, sets forth the minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and are detailed in the combining section of the financial statements.



State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Fund Financial Statements (continued)

The Corporation has three types of funds:

- Governmental Funds:
  - General Fund-The general fund is the operating fund of the Corporation. It is used to account for all financial activities except those required to be accounted for in another fund. The annual operating budget as authorized by the State Legislature and provides the basic framework within which the resources and obligations of the general fund are accounted.
  - Special revenue Funds-Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to specific purposes. These funds include, but are not limited to, the Section 8 Housing Voucher Program, and Section 8 Contract Administration.
- Proprietary Funds:
  - Enterprise funds-These funds account for those activities for which the intent of management is to recover, primarily through users charges, the cost of providing services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate.
- Fiduciary Funds: The private-purpose trust funds account for net assets held in a trustee capacity for others.

*Notes to Financial Statements.*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

*Required Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purpose and the fund balance for the major governmental funds as presented in the governmental fund financial statements. This management's discussion and analysis is also Required Supplementary Information that is required to be presented preceding the financial statements.

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

*Other information*

The combining statements, which include nonmajor funds, for governmental, enterprises fund, and internal service fund are presented as other information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, changes in net assets may serve over time as a useful indicator of the Corporation's financial position. As of June 30, 2002, the Corporation's total net assets was approximately \$665.3 million. Because this is the first year of implementation of GASB 34, which requires this new reporting model, the following tables present only current year data. In future years, comparative analysis of government-wide data will be presented.

Statement of Net Assets  
June 30, 2002

	Governmental Activities	Business-type Activities	Total
Current assets	\$18,248,490	\$ 300,226,545	\$ 318,475,035
Assets held by trustee	—	754,604,332	754,604,332
Capital assets	33,945,516	374,843,896	408,789,412
Other assets	—	119,397,304	119,397,304
Total assets	<u>\$52,194,006</u>	<u>\$1,549,072,077</u>	<u>\$1,601,266,083</u>
Current liabilities	\$ ,997,961	\$ 87,386,495	\$ 90,384,456
Long-term liabilities	240,078	845,311,643	845,551,721
Total liabilities	3,238,039	932,698,138	935,936,177
Net assets:			
Invested in capital assets net of related debt	33,945,516	234,847,377	268,792,893
Restricted	—	761,861,257	761,861,257
Unrestricted	15,010,451	(380,334,695)	(365,324,244)
Total Net Assets	<u>48,955,967</u>	<u>616,373,939</u>	<u>665,329,906</u>
Total liabilities and net assets	<u>\$52,194,006</u>	<u>\$1,549,072,077</u>	<u>\$1,601,266,083</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The largest portion of the Corporation's net assets represents resources that are subject to external restrictions on how they may be used. The majority of this balance is attributed to approximately \$677.8 million of assets held by trustees under the Single Family Mortgage Revenue Bond Fund. Investment in capital assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "net assets invested in capital assets, net of related debt." At the end of the fiscal year ending June 30, 2002, unrestricted net assets reflected a deficit balance. This was primarily due to the Single Family Mortgage Revenue Bond Fund's revenue bonds payable balances of approximately \$653.4 million. The assets that support these liabilities are the assets held by trustees, which are reflected as restricted net assets.

Statement of Activities  
Year ended June 30, 2002

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenue:			
Charges for services	\$       —	\$ 70,943,308	\$ 70,943,308
Operating grants and contributions	42,242,215	10,403,263	52,645,478
Capital grants and contributions	—	10,799,476	10,799,476
Investment income and other	70,477	25,081,075	25,151,552
State allotted appropriations, net of lapses	13,216,619	—	13,216,619
Unrestricted investment income	—	21,763,212	21,763,212
Total revenues	55,529,311	138,990,334	194,519,645
Total expenses	45,407,418	134,647,836	180,055,254
Excess (deficiency) before extraordinary items and transfers	10,121,893	4,342,498	14,464,391
Transfers	(468,810)	468,810	—
Other	—	(277,827)	(277,827)
Change in net assets	9,653,083	4,533,481	14,186,564
Net assets-beginning	39,302,884	611,840,458	651,143,342
Net assets-end of year	<u>\$48,955,967</u>	<u>\$616,373,939</u>	<u>\$665,329,906</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Governmental activities increased the Corporation's net assets by \$9.7 million. The increase was primarily due to the HUD contributions and State allotted appropriations for capital projects.

Revenues of the Corporation's business-type activities were primarily from charges for services, program investment income and federal assistance program funds. Charges for services consist primarily of rental income and interest income on loans related to the Corporation's lending programs. The majority of the program investment income is from income earned within the Corporation's bond funds, which investments and income is restricted to those funds.

For the fiscal year ending June 30, 2002, business-type activities increased the Corporation's net assets by \$4.5 million. Key elements of this increase are as follows:

- The Single Family Mortgage Purchase Revenue Bond Fund recognized an increase in net assets of approximately \$21.2 million. The increase was primarily due to an adjustment to the fair value of investments in mortgage-backed securities of \$19.0 million.
- The Homes Revolving Fund recognized a decrease in net assets of approximately \$22.8 million. The decrease was primarily due to the Corporation revising its revenue assumption and cost to complete estimate of the Kapolei development project. Changes in those estimates resulted in the reallocation of development costs and approximately \$36.7 million of additional costs to complete estimates. Consequently, for the 2002 year, reallocated costs of approximately \$23.0 million were charged to the cost of land sold for land previously sold.
- The Federal Low Rent program recognized an increase in net assets of approximately \$1.9 million.
- The Dwelling Unit Revolving Fund recognized an increase in net assets of approximately \$2.0 million.

**FINANCIAL ANALYSIS OF FUND FINANCIAL STATEMENTS**

During the fiscal year ended June 30, 2002 general fund revenues and expenditures were \$7.1 million and \$6.5 million, respectively. During 2002, \$420,915 was transferred out from the general fund to the Housing Revolving Fund to cover repair and maintenance expenditures for state public housing projects.

The Capital Projects Fund received approximately \$10.0 million of HUD annual contributions and State allotted appropriations for capital projects. Capital projects funds are used to account for financial resources to acquire or construct major capital facilities. During the current year, approximately \$7.4 million was expended for capital outlays.

The net change in fund balance of the Section 8 Housing Voucher and Contract Administration Programs amounted to \$194,775 and \$398,662, respectively.

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**FINANCIAL ANALYSIS OF FUND FINANCIAL STATEMENTS (continued)**

The proprietary funds consist of four major and several non-major funds. The four major funds are: 1) Federal Low Rent program, 2) Dwelling Unit Revolving Fund, 3) Homes Revolving Fund, and 4) Single Family Mortgage Purchase Revenue Bond Fund.

Under the Federal Low Program, the Corporation administers the operations of 5,398 federal public housing units. The U.S. Department of Housing and Urban Development provides the Corporation with funds to operate, repair and maintain the public housing inventory. During the 2002 year, the Corporation received approximately \$21.2 million of HUD operating subsidies and grants, a decrease of \$6.5 million in subsidies from the prior year. The decrease was primarily due to two comprehensive grant programs that expired and were fully expended in the prior year. This coupled with an increase in operating expenses of \$4.1 million, of which \$2.1 million were increases in repair and maintenance, resulted in a decline in operating income of \$13.9 million in the prior year to \$1.9 million in 2002.

The Dwelling Unit Revolving Fund accounts for state funds used for acquiring, developing, selling, leasing and renting, commercial and industrial properties, providing mortgage and interim financing and rental income and sales proceeds and interest earnings. Operating income was \$2.0 million in 2002 as compared with \$5.3 in the prior year. The decrease in operating income was primarily due to a decrease in the sale of land and residential units of \$2.4 million and investment income of \$2.0 million. The decreased investment income was the result of lower investment yields.

The Homes Revolving Fund accounts for the proceeds from state contributions for the purpose of developing and implementing affordable housing development programs. During the 2002 year, the Corporation revised its revenue assumption and cost to complete estimated of the Villages of Kapolei development project. Changes in those estimates resulted in the reallocation of development costs and approximately \$36.7 million of additional costs to complete estimates. Consequently, for the 2002 year, reallocated costs of approximately \$23.0 million were charged to cost of land sold for land previously sold. As a result, the fund recognized a decrease in net assets of approximately \$22.8 million.

The Single Family Mortgage Purchase Revenue Bond Fund accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment, interest, and earnings from such loans and investment of such funds. Operating income was \$21.2 million in 2002 as compared with \$25.2 million in the prior year. The decrease in operating income of \$4.0 million was primarily due to the decrease in the amount of adjustment to the fair value of investments of \$2.4 million and a decrease in investment income of approximately \$700,000, as compared to the prior year. The decreased investment income was the result of lower investment yields.

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**FINANCIAL ANALYSIS OF FUND FINANCIAL STATEMENTS (continued)**

Other Non-Major funds:

In March 2000, the Corporation finalized the leasehold sale of the 306 unit Palolo Homes I and II to the Mutual Housing Association of Hawaii, a private, nonprofit partnership. Palolo I and II were first occupied in 1951. Prior to the sale in 2002, the project was operating at a deficit and in need of substantial repair. Through privatization of the project, the State and private investors jointly provided \$13.5 million in financing. The Corporation awarded Section 8 project based vouchers to help address operational shortfalls, as well as low income housing tax credits and gap financing from the Rental Housing Trust Fund. The Corporation recognized a loss of approximately \$2.7 million.

**BUDGETARY ANALYSIS**

Differences between the original and final amended budgets were relatively minor. The actual expenditures for the general funded rental housing and assistance program were \$781,962 less than the budgeted expenditures. This was due primarily to changes in program requirements.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

As of June 30, 2002, the Corporation had invested approximately \$408.8 million (net of accumulated depreciation) in a broad range of capital assets. This amount represents a decrease of about \$4.5 million, or one percent, over last year. See Note H to the Corporation's financial statements for a description of capital assets activities for the fiscal year ended June 30, 2002.

Corporation's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 2,373,410	\$ 61,587,686	\$ 63,961,096
Buildings and improvements	34,830,331	534,122,850	568,953,181
Equipment	1,096,574	11,194,999	12,291,573
Construction in progress	11,068,507	25,558,491	36,626,998
Total	49,368,822	632,464,026	681,832,848
Accumulated depreciation	(15,423,306)	(257,620,130)	(273,043,436)
Total capital assets, net	<u>\$ 33,945,516</u>	<u>\$ 374,843,896</u>	<u>\$ 408,789,412</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

*Long-Term Debt*

Through June 30, 2002, approximately \$1,941,523,000 of revenue bonds has been issued. The revenue bonds are payable solely from the revenues and other monies and assets of the Revenue Bond Funds and other assets of the Corporation pledged under the various bond indentures. As of June 30, 2002, the Corporation had \$836.0 million in outstanding revenue bonds payable. See Note J to the Corporation's financial statements for a description of revenue bonds payable transactions during the fiscal year ended June 30, 2002.

During the 2002 year, the Corporation issued approximately \$40.2 million of new bonds, of which \$36.8 was due to 2002 Single Family Mortgage Purchase revenue bonds and had bond redemption of approximately \$47.6 million, of which \$37.3 million were early redemptions.

During the 2002 year, Moody's Investors Service's rating of the Corporation continued to be A1 with a negative outlook. The Corporation's bonds ratings for the Single Family Mortgage Purchase Revenue Bond program were as follows:

- Standard & Poor's Rating Services: AAA
- Moody's Investors Service: Aaa
- Fitch Ratings: AAA

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

In July 2002, the Corporation transferred \$25,747,457 from its various funds to the State of Hawaii General Fund, pursuant to Act 178, SLH 2002.

On July 1, 2002, the Corporation redeemed certain outstanding revenue bonds totaling \$17.7 million, of which approximately \$8.8 million were early redemptions.

On September 10, 2002, HUD issued a Corrective Action Order (CAO) to the Corporation that requires the use of approximately \$2,000,000 from the Capital Fund Program to contract with a private firm to provide technical assistance in all areas of management.

On September 20, 2002, HUD issued a Request For Proposals on behalf of the Corporation with an objective to obtain an Independent Assessment (IA) of the Corporation's capabilities to properly administer the public housing programs in accordance with applicable laws and regulations and to provide a Physical Needs Assessment (PNA) of all federal public housing projects.

State of Hawaii  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2002

On October 17, 2002, The Corporation's Board of Directors approved an amendment to the Federal Capital Fund Program HI08P00501-01 and allocated up to \$2,000,000 to fund the IA that would include a comprehensive PNA.



State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF NET ASSETS

June 30, 2002

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash (notes A7 and C)	\$ 12,096,205	\$ 170,775,738	\$ 182,871,943
Investments (notes A8 and D)	1,700,000	6,911,945	8,611,945
Receivables			
Mortgage loans (note E)	-	7,062,966	7,062,966
Notes and loans (note E)	-	884,083	884,083
Accrued interest	8,742	6,578,387	6,587,129
Tenant receivables, less allowance for doubtful receivables of \$4,516,845	-	1,160,755	1,160,755
Other	239,318	2,106,505	2,345,823
	<u>248,060</u>	<u>17,792,696</u>	<u>18,040,756</u>
Internal balances	1,727,075	(1,727,075)	-
Due from State of Hawaii	-	2,972	2,972
Due from HUD	753,781	6,819,223	7,573,004
Inventories (note A9)			
Developments in progress and dwelling units	-	97,734,593	97,734,593
Materials and supplies	-	600,359	600,359
Net investment in direct financing lease (note F)	-	420,538	420,538
Prepaid expenses and other assets	1,723,369	434,455	2,157,824
Deposits held in trust	-	95,921	95,921
Deferred bond discount and issuance costs	<u>-</u>	<u>365,180</u>	<u>365,180</u>
Total current assets	18,248,490	300,226,545	318,475,035
Assets held by trustees under revenue bond programs			
Cash	-	75,259	75,259
Investments (notes A8, D, G and K)	<u>-</u>	<u>754,529,073</u>	<u>754,529,073</u>
	-	754,604,332	754,604,332
Investments	-	12,339,406	12,339,406
Mortgage loans, net of current portion (note E)	-	71,297,955	71,297,955
Notes and loans	-	4,266,711	4,266,711
Other receivables	-	854,229	854,229
Restricted deposits and funded reserves	-	6,728,530	6,728,530
Net investment in financing lease, net of current portion	-	17,739,508	17,739,508
Deferred bond issuance costs (note A12)	-	6,170,965	6,170,965
Capital assets, less accumulated depreciation (notes A5, H and L)	<u>33,945,516</u>	<u>374,843,896</u>	<u>408,789,412</u>
TOTAL ASSETS	<u>\$ 52,194,006</u>	<u>\$ 1,549,072,077</u>	<u>\$ 1,601,266,083</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF NET ASSETS

June 30, 2002

	Governmental Activities	Business-type Activities	Total
Current Liabilities			
Accounts payable	\$ 847,423	\$ 2,800,795	\$ 3,648,218
Accrued expenses			
Interest (notes I and J)	-	19,802,474	19,802,474
Other	156,112	1,728,647	1,884,759
Internal balances	1,917,177	(1,917,177)	-
Due to State of Hawaii, including Office of Hawaiian Affairs (note M)	-	5,598,604	5,598,604
Due to HUD	77,245	4,313	81,558
Security deposits	-	2,114,242	2,114,242
Note payable (note I)	-	37,490	37,490
Mortgage payable (note I)	-	99,571	99,571
Revenue bonds payable, less deferred refunding cost (notes J and K)	-	12,930,582	12,930,582
Deferred income	4	20,829	20,833
Deferred commitment fees	-	643,772	643,772
Deferred gain on sale of units and land	-	342,166	342,166
Estimated future costs of land sold	-	43,180,187	43,180,187
Total current liabilities	2,997,961	87,386,495	90,384,456
Deferred commitment fees, net of current portion	-	5,739,908	5,739,908
Arbitrage rebate payable (note J)	-	6,249,807	6,249,807
Note payable, net of current portion (note I)	-	4,126,202	4,126,202
Mortgage payable, net of current portion (note I)	-	6,559,951	6,559,951
Revenue bonds payable, less deferred refunding costs, net of current portion (notes J and K)	-	821,256,953	821,256,953
Others	240,078	1,378,822	1,618,900
Commitments and contingencies (notes L, M, N, O and P)	-	-	-
Net assets			
Invested in capital assets, net of related debt	33,945,516	234,847,377	268,792,893
Restricted by legislation and contractual agreements	-	761,861,257	761,861,257
Unrestricted	15,010,451	(380,334,695)	(365,324,244)
Total net assets	48,955,967	616,373,939	665,329,906
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,194,006</u>	<u>\$ 1,549,072,077</u>	<u>\$ 1,601,266,083</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF ACTIVITIES

Year ended June 30, 2002

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Program investment income and other	Net (expense) revenue and changes in net assets		
						Governmental activities	Business-type activities	Total
Governmental Activities								
Homeless service and assistance program	\$ 5,470,912	\$ -	\$ 1,034,288	\$ -	\$ -	\$ (4,436,624)	\$ -	\$ (4,436,624)
Rental housing and assistance program	39,936,506	-	41,207,927	-	70,477	1,341,898	-	1,341,898
Total governmental activities	45,407,418	-	42,242,215	-	70,477	(3,094,726)	-	(3,094,726)
Business-type Activities								
Rental assistance program	34,885,816	14,211,369	10,403,263	10,799,476	2,770,179	-	3,298,471	3,298,471
Housing development program	27,968,117	3,299,957	-	-	3,809,265	-	(20,858,895)	(20,858,895)
Multi-family mortgage loan programs	3,202,307	4,099,576	-	-	2,611,253	-	3,508,522	3,508,522
Single-family mortgage loan program	41,068,295	29,455,039	-	-	14,072,040	-	2,458,784	2,458,784
Rental housing program	25,569,292	18,366,628	-	-	1,363,974	-	(5,838,690)	(5,838,690)
Others	1,954,009	1,510,739	-	-	454,364	-	11,094	11,094
Total business-type activities	134,647,836	70,943,308	10,403,263	10,799,476	25,081,075	-	(17,420,714)	(17,420,714)
Total government	<u>\$ 180,055,254</u>	<u>\$ 70,943,308</u>	<u>\$ 52,645,478</u>	<u>\$ 10,799,476</u>	<u>\$ 25,151,552</u>	(3,094,726)	(17,420,714)	(20,515,440)
State allotted appropriations, net of lapses						13,216,619	-	13,216,619
Unrestricted investment income						-	21,763,212	21,763,212
Transfers						(468,810)	468,810	-
Extraordinary item								
Loss from early redemption of revenue bond payable						-	(277,827)	(277,827)
Total general revenues, transfers, and extraordinary item						12,747,809	21,954,195	34,702,004
Change in net assets						9,653,083	4,533,481	14,186,564
Net assets at July 1, 2001, as restated						39,302,884	611,840,458	651,143,342
Net assets at June 30, 2002						<u>\$ 48,955,967</u>	<u>\$ 616,373,939</u>	<u>\$ 665,329,906</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2002

ASSETS	General	Capital Projects	Housing Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
Current Assets						
Cash	\$ 579,332	\$ 8,451,324	\$ 2,010,680	\$ 575,690	\$ 479,179	\$ 12,096,205
Investments	-	-	-	-	1,700,000	1,700,000
Accrued interest receivable	-	-	-	-	8,742	8,742
Other receivables	600	238,718	-	-	-	239,318
Due from other funds	-	-	1,721,588	-	22,180	1,743,768
Due from HUD	-	-	178,723	148,232	426,826	753,781
Prepaid expenses and other assets	63,791	-	1,659,458	120	-	1,723,369
	<u>\$ 643,723</u>	<u>\$ 8,690,042</u>	<u>\$ 5,570,449</u>	<u>\$ 724,042</u>	<u>\$ 2,636,927</u>	<u>\$ 18,265,183</u>
TOTAL ASSETS						
	<u>\$ 643,723</u>	<u>\$ 8,690,042</u>	<u>\$ 5,570,449</u>	<u>\$ 724,042</u>	<u>\$ 2,636,927</u>	<u>\$ 18,265,183</u>
LIABILITIES AND FUND BALANCE						
Current Liabilities						
Accounts payable	\$ 157,431	\$ 348,999	-	\$ 75,690	\$ 265,303	\$ 847,423
Accrued expenses	67,312	-	1,950	-	-	69,262
Due to other funds	7,297	31,849	1,844,588	14,291	35,845	1,933,870
Due to HUD	-	-	-	42,899	34,346	77,245
Deferred income	-	4	-	-	-	4
	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total liabilities	232,040	380,852	1,846,538	132,880	335,494	2,927,804
Fund balances						
Reserved	411,683	8,309,190	-	-	-	8,720,873
Unreserved	-	-	3,723,911	591,162	2,301,433	6,616,506
	<u>-</u>	<u>-</u>	<u>3,723,911</u>	<u>591,162</u>	<u>2,301,433</u>	<u>6,616,506</u>
Total fund balances	411,683	8,309,190	3,723,911	591,162	2,301,433	15,337,379
	<u>411,683</u>	<u>8,309,190</u>	<u>3,723,911</u>	<u>591,162</u>	<u>2,301,433</u>	<u>15,337,379</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 643,723</u>	<u>\$ 8,690,042</u>	<u>\$ 5,570,449</u>	<u>\$ 724,042</u>	<u>\$ 2,636,927</u>	<u>\$ 18,265,183</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE TO THE  
STATEMENT OF NET ASSETS

June 30, 2002

Total fund balance - governmental funds		\$ 15,337,379
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	\$ 33,945,516	
Long-term compensated absences reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in the governmental funds	<u>(326,928)</u>	<u>33,618,588</u>
Net assets of governmental activities		<u><u>\$ 48,955,967</u></u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year ended June 30, 2002

	General	Capital Projects	Housing Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
Revenues						
Intergovernmental – HUD annual contributions and others	\$ -	\$ 4,892,335	\$ 20,973,909	\$ 10,543,945	\$ 5,832,026	\$ 42,242,215
State allotted appropriations	7,124,915	5,093,473	-	-	998,231	13,216,619
Interest	-	-	29,450	670	40,057	70,177
Other	-	300	-	-	-	300
Total revenues	<u>7,124,915</u>	<u>9,986,108</u>	<u>21,003,359</u>	<u>10,544,615</u>	<u>6,870,314</u>	<u>55,529,311</u>
Expenditures						
Current						
Housing assistance payments	990,903	-	18,543,228	9,986,426	3,369,121	32,889,678
Homeless services	4,317,252	-	-	-	-	4,317,252
Personal services	508,399	67,127	1,671,273	111,327	161,589	2,519,715
Administration	45,577	5,499	262,145	11,093	2,258,989	2,583,303
Professional services	42,190	-	82,618	15,341	34,324	174,473
Security	468,622	-	1,870	3	117	470,612
Repairs and maintenance	71,885	-	80,267	5	3,008	155,165
Utilities	19,870	-	1,963	-	-	21,833
Insurance	1,095	-	74,293	4,748	7,803	87,939
Grant expenses	-	-	-	-	998,231	998,231
Other	29,980	-	5,595	737	6,234	42,546
Capital outlays	<u>46,947</u>	<u>7,301,692</u>	<u>37,437</u>	<u>16,273</u>	<u>9,893</u>	<u>7,412,242</u>
Total expenditures	<u>6,542,720</u>	<u>7,374,318</u>	<u>20,760,689</u>	<u>10,145,953</u>	<u>6,849,309</u>	<u>51,672,989</u>
EXCESS OF REVENUES OVER EXPENDITURES	582,195	2,611,790	242,670	398,662	21,005	3,856,322
Other financing uses						
Transfers out	<u>420,915</u>	<u>-</u>	<u>47,895</u>	<u>-</u>	<u>-</u>	<u>468,810</u>
Total other financing uses	<u>420,915</u>	<u>-</u>	<u>47,895</u>	<u>-</u>	<u>-</u>	<u>468,810</u>
NET CHANGE IN FUND BALANCE	161,280	2,611,790	194,775	398,662	21,005	3,387,512
Fund balance at July 1, 2001	<u>250,403</u>	<u>5,697,400</u>	<u>3,529,136</u>	<u>192,500</u>	<u>2,280,428</u>	<u>11,949,867</u>
Fund balance at June 30, 2002	<u>\$ 411,683</u>	<u>\$ 8,309,190</u>	<u>\$ 3,723,911</u>	<u>\$ 591,162</u>	<u>\$ 2,301,433</u>	<u>\$ 15,337,379</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF THE CHANGE IN FUND  
BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2002

Net change in fund balances - total governmental funds	\$ 3,387,512
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation during the year.

\$ 6,284,870

Long-term compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

(19,299)

6,265,571

Change in net assets of governmental activities

\$ 9,653,083

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2002

ASSETS	Federal Low Rent Program	Dwelling Unit Revolving Fund	Homes Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current assets							
Cash (notes A7 and C)	\$ 8,535,075	\$ 88,708,179	\$ 5,311,961	\$ -	\$ 66,991,665	\$ 169,546,880	\$ 1,228,858
Investments (notes A8 and D)	5,350,000	-	-	-	1,561,945	6,911,945	-
Receivables							
Mortgage loans (note E)	-	1,159,331	-	3,709,178	2,194,457	7,062,966	-
Notes and loans (note E)	-	-	-	-	884,083	884,083	-
Accrued interest	13,910	987,812	46,025	3,463,150	2,056,158	6,567,055	11,332
Tenant receivables, less allowance for doubtful accounts of \$4,516,845	354,597	-	-	-	806,158	1,160,755	-
Other	198,356	911,765	207,694	-	728,643	2,046,458	-
	<u>566,863</u>	<u>3,058,908</u>	<u>253,719</u>	<u>7,172,328</u>	<u>6,669,499</u>	<u>17,721,317</u>	<u>11,332</u>
Due from other funds	3,361,149	28,045,363	-	-	4,339,392	35,745,904	14,315
Due from State of Hawaii	-	-	-	-	2,972	2,972	-
Due from HUD	6,792,834	-	-	-	26,389	6,819,223	-
Inventories (note A9)							
Developments in progress and dwelling units	-	8,573,949	89,160,644	-	-	97,734,593	-
Materials and supplies	473,251	-	-	-	127,108	600,359	-
Net investment in financing lease (note F)	-	-	-	-	420,538	420,538	-
Prepaid expenses and other assets	-	29,952	-	22,421	382,082	434,455	-
Deposits held in trust	-	-	-	-	95,921	95,921	-
Deferred bond discount and issuance costs	-	-	-	257,255	107,925	365,180	-
	<u>25,079,172</u>	<u>128,416,351</u>	<u>94,726,324</u>	<u>7,452,004</u>	<u>80,725,436</u>	<u>336,399,287</u>	<u>1,254,505</u>
Total current assets							
Assets held by trustees under Revenue Bond Programs							
Cash	-	-	-	-	75,259	75,259	-
Investments (notes A8, D, G and K)	-	-	-	677,578,025	76,951,048	754,529,073	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>677,578,025</u>	<u>77,026,307</u>	<u>754,604,332</u>	<u>-</u>
Investments	-	-	-	-	12,339,406	12,339,406	-
Mortgage loans, net of current portion (note E)	-	-	-	26,621,386	44,676,569	71,297,955	-
Notes and loans	-	3,840,611	-	-	426,100	4,266,711	-
Other receivables	-	-	-	-	854,229	854,229	-
Advances to other funds	-	-	-	-	325,000	325,000	-
Restricted deposits and funded reserves	-	-	-	-	6,728,530	6,728,530	-
Net investment in financing lease, net of current portion	-	-	-	-	17,739,508	17,739,508	-
Deferred bond discount and issuance costs, net of current portion (note A12)	-	-	-	4,685,243	1,485,722	6,170,965	-
Capital assets, less accumulated depreciation (notes A5, H and I)	169,705,622	24,531,343	-	-	180,431,909	374,668,874	175,022
	<u>169,705,622</u>	<u>24,531,343</u>	<u>-</u>	<u>-</u>	<u>180,431,909</u>	<u>374,668,874</u>	<u>175,022</u>
TOTAL ASSETS	<u>\$ 194,784,794</u>	<u>\$ 156,788,305</u>	<u>\$ 94,726,324</u>	<u>\$ 716,336,658</u>	<u>\$ 422,758,716</u>	<u>\$ 1,585,394,797</u>	<u>\$ 1,429,527</u>

The accompanying notes are an integral part of this statement.



State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2002

LIABILITIES AND NET ASSETS	Federal Low Rent Program	Dwelling Unit Revolving Fund	Homes Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current liabilities							
Accounts payable	\$ 1,309,146	\$ 689,473	\$ -	\$ 54,043	\$ 748,133	\$ 2,800,795	\$ -
Accrued expenses							
Interest (notes I and J)	-	10,768	-	18,016,473	1,775,233	19,802,474	-
Other	1,973,202	315,898	-	105,526	712,843	3,107,469	-
Due to other funds	1,190,181	708	27,583,584	52,046	7,008,551	35,835,070	-
Due to State of Hawaii, including Office of Hawaiian Affairs (note O)	-	-	5,573,604	-	25,000	5,598,604	-
Due to HUD	-	-	-	-	4,313	4,313	-
Security deposits	593,810	53,195	-	-	1,467,237	2,114,242	-
Note payable (note I)	-	37,490	-	-	-	37,490	-
Mortgage payable (note I)	-	-	-	-	99,571	99,571	-
Revenue bonds payable, less deferred refunding cost (notes J and K)	-	-	-	9,083,256	3,847,326	12,930,582	-
Deferred income	-	18,983	-	-	1,846	20,829	-
Deferred commitment fees	-	-	-	643,772	-	643,772	-
Deferred gain on sale of units and land	-	342,166	-	-	-	342,166	-
Estimated future costs of land sold	-	-	43,180,187	-	-	43,180,187	-
Total current liabilities	5,066,339	1,468,681	76,337,375	27,955,116	15,690,053	126,517,564	-
Deferred commitment fees, net of current portion	-	-	-	5,739,908	-	5,739,908	-
Arbitrage rebate payable (note J)	-	-	-	6,046,051	203,756	6,249,807	-
Note payable, net of current portion (note I)	-	454,875	-	-	3,671,327	4,126,202	-
Mortgage payable, net of current portion (note I)	-	-	-	-	6,559,951	6,559,951	-
Revenue bonds payable, less deferred refunding cost, net of current portion (notes J and K)	-	-	-	644,269,060	176,987,893	821,256,953	-
Net assets							
Invested in capital assets, net of related debt	169,705,622	24,038,978	-	-	40,927,755	234,672,355	175,022
Restricted by legislation and contractual agreements	-	-	-	677,758,025	84,103,232	761,861,257	-
Unrestricted	20,012,833	130,825,771	18,388,949	(645,431,502)	94,614,749	(381,589,200)	1,254,505
Total net assets	189,718,455	154,864,749	18,388,949	32,326,523	219,645,736	614,944,412	1,429,527
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 194,784,794</u>	<u>\$ 156,788,305</u>	<u>\$ 94,726,324</u>	<u>\$ 716,336,658</u>	<u>\$ 422,758,716</u>	<u>\$ 1,585,394,797</u>	<u>\$ 1,429,527</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF THE PROPRIETARY FUNDS NET ASSETS  
TO THE STATEMENT OF NET ASSETS

Year ended June 30, 2002

Total net assets of proprietary funds	\$ 614,944,412
Amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities	<u>1,429,527</u>
Net assets of business-type activities	<u><u>\$ 616,373,939</u></u>

The accompanying notes are an integral part of these statements.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

Year ended June 30, 2002

	Federal Low Rent Program	Dwelling Unit Revolving Fund	Homes Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues							
Interest on mortgages, notes, loans and mortgage-backed securities	\$ -	\$ 140,952	\$ -	\$ 29,443,032	\$ 2,627,833	\$ 32,211,817	\$ -
Net increase in fair value of mortgage-backed securities (note A8)	-	-	-	19,038,950	-	19,038,950	-
Sales of land	-	622,779	266,167	-	-	888,946	-
Sales of units	-	195,750	-	-	-	195,750	-
Rental	12,739,863	1,009,516	-	-	17,615,351	31,364,730	156,580
Conveyance tax	-	-	-	-	2,517,016	2,517,016	-
Other	353,080	1,064,793	-	9,624	2,337,552	3,765,049	-
Total operating revenues	13,092,943	3,033,790	266,167	48,491,606	25,097,752	89,982,258	156,580
Operating expenses							
Cost of land sold	-	435,240	23,430,175	-	-	23,865,415	-
Project	-	875,858	1,500	-	5,518,642	6,396,000	-
Personal services	9,108,070	1,519,376	-	235,617	2,382,956	13,246,019	-
Depreciation	7,046,268	318,675	-	-	7,480,491	14,845,434	84,578
Housing assistance payments	-	-	-	-	2,188,622	2,188,622	-
Administration	2,699,402	491,820	-	107,166	854,190	4,152,578	-
Provision for losses	-	269,643	-	-	343,710	613,353	-
Loan servicing fees	-	-	-	124,828	-	124,828	-
Professional services	234,518	337,060	-	18,839	252,293	842,710	4,414
Mortgage insurance	-	-	-	41,135	6,232	47,367	-
Security	525,566	548	-	106	49,166	575,386	-
Insurance	201,270	85,590	-	14,432	72,289	373,581	-
Repairs and maintenance	5,063,011	117,965	-	9,660	1,238,067	6,428,703	-
Utilities	5,764,622	-	-	4,160	1,246,604	7,015,386	-
Payments in lieu of taxes	1,012,714	-	-	-	-	1,012,714	-
Capital expenditures	122,050	9,121	-	-	263,804	394,975	59,890
Interest expense	-	-	-	38,030,087	1,876,339	39,906,426	-
Other	223	37,722	-	26,306	352,552	416,803	164
Total operating expenses	31,777,714	4,498,618	23,431,675	38,612,336	24,125,957	122,446,300	149,046
Operating (loss) income carried forward	\$ (18,684,771)	\$ (1,464,828)	\$ (23,165,508)	\$ 9,879,270	\$ 971,795	\$ (32,464,042)	\$ 7,534

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS (continued)

Year ended June 30, 2002

	Federal Low Rent Program	Dwelling Unit Revolving Fund	Homes Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating (loss) income brought forward	\$ (18,684,771)	\$ (1,464,828)	\$ (23,165,508)	\$ 9,879,270	\$ 971,795	\$ (32,464,042)	\$ 7,534
Nonoperating revenues (expenses)							
Interest income-investments	224,901	3,460,710	232,101	14,072,040	6,196,338	24,186,090	41,923
Net increase in fair value of investments	-	-	-	-	2,724,262	2,724,262	-
HUD operating subsidy and others	21,202,739	-	-	-	-	21,202,739	-
Interest expense	(61,870)	(34,826)	-	-	(5,270,203)	(5,366,899)	-
Letter of credit fees	-	-	-	-	(530,766)	(530,766)	-
Trustee fees	-	-	-	(95,500)	(238,937)	(334,437)	-
Amortization of deferred bond issuance costs	-	-	-	(429,071)	(109,654)	(538,725)	-
Arbitrage rebate	-	-	-	(1,915,852)	-	(1,915,852)	-
Loss on disposal of property and equipment	(751,208)	-	-	-	(2,747,069)	(3,498,277)	-
Contributions returned to the State of Hawaii	-	-	(2,998)	-	(13,582)	(16,580)	-
Other revenues	-	-	116,454	-	729,074	845,528	-
Total nonoperating revenues (expenses)	20,614,562	3,425,884	345,557	11,631,617	739,463	36,757,083	41,923
Operating income (loss) before extraordinary items and transfers	1,929,791	1,961,056	(22,819,951)	21,510,887	1,711,258	4,293,041	49,457
Extraordinary item							
Loss from early redemption of revenue bonds payable	-	-	-	(277,827)	-	(277,827)	-
Operating transfers in	-	-	-	-	468,810	468,810	-
CHANGE IN NET ASSETS	1,929,791	1,961,056	(22,819,951)	21,233,060	2,180,068	4,484,024	49,457
Fund net assets at July 1, 2001	187,788,664	152,903,693	41,208,900	11,093,463	217,465,668	610,460,388	1,380,070
Fund net assets at June 30, 2002	<u>\$ 189,718,455</u>	<u>\$ 154,864,749</u>	<u>\$ 18,388,949</u>	<u>\$ 32,326,523</u>	<u>\$ 219,645,736</u>	<u>\$ 614,944,412</u>	<u>\$ 1,429,527</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF THE CHANGE IN FUND  
BALANCES OF PROPRIETARY FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2002

Net change in fund balances - total enterprise funds	\$ 4,484,024
Net change in fund balances - internal service funds	<u>49,457</u>
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES	<u><u>\$ 4,533,481</u></u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2002

	Federal Low Rent Program	Dwelling Unit Revolving Fund	Homes Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:							
Cash received from renters	\$ 12,874,899	\$ 1,004,056	\$ -	\$ -	\$ 17,410,821	\$ 31,289,776	\$ 156,580
Cash received from borrowers							
Principal repayments	-	5,377,461	-	7,346,150	6,359,199	19,082,810	-
Interest income	-	140,952	-	29,433,632	2,348,470	31,923,054	-
Cash received from net investment in financing lease	-	-	-	-	1,237,440	1,237,440	-
Cash received from sale of land	-	620,490	239,805	-	-	860,295	-
Cash received from sale of units	-	195,750	-	-	-	195,750	-
Cash received for conveyance taxes	-	-	-	-	2,517,016	2,517,016	-
Cash received for payments on mortgage-backed securities	-	-	-	37,861,561	-	37,861,561	-
Cash payments for loan originations	-	(8,404,535)	-	-	(10,642,893)	(19,047,428)	-
Cash payment for acquisition of mortgage-backed securities	-	-	-	(75,609)	-	(75,609)	-
Cash payments for interest	-	-	-	(38,081,408)	(2,095,226)	(40,176,634)	-
Cash payments to employees	(9,108,070)	(1,519,376)	-	(235,617)	(2,382,956)	(13,246,019)	-
Cash payments to suppliers	(16,369,929)	(3,926,931)	69,900	(382,177)	(12,722,612)	(33,331,749)	(64,468)
Cash receipts from (payments to) other funds	219,468	708,178	-	19,707	(257,802)	689,551	(10,885)
Other cash receipts (payments)	347,038	1,309,187	1,303,354	63,666	2,568,917	5,592,162	-
Net cash (used in) provided by operating activities	(12,036,594)	(4,494,768)	1,613,059	35,949,905	4,340,374	25,371,976	81,227
Cash flows from noncapital financing activities:							
Proceeds from sale of revenue bonds	-	-	-	36,775,000	-	36,775,000	-
Principal paid on revenue bond maturities	-	-	-	(45,655,000)	-	(45,655,000)	-
Bond issuance costs paid	-	-	-	(480,154)	-	(480,154)	-
Interest paid to the Department of Budget and Finance	(62,181)	(12,527)	-	-	(13,531)	(88,239)	-
HUD operating subsidy and others received	17,432,877	-	-	-	-	17,432,877	-
Operating transfers in	-	-	-	-	468,810	468,810	-
Advances from other funds	-	-	(702,489)	-	-	(702,489)	-
Contributions returned to State of Hawaii and other	-	-	(2,998)	-	(13,582)	(16,580)	-
Net cash provided by (used in) noncapital financing activities	17,370,696	(12,527)	(705,487)	(9,360,154)	441,697	7,734,225	-
Cash flows from capital and related financing activities:							
Proceeds from sale of revenue bonds	-	-	-	-	3,405,000	3,405,000	-
Principal paid on revenue bond maturities and redemptions	-	-	-	-	(1,912,781)	(1,912,781)	-
Interest paid on revenue bonds	-	-	-	-	(5,137,466)	(5,137,466)	-
Principal payments on notes payable	-	(37,118)	-	-	-	(37,118)	-
Principal payments on mortgage loans	-	-	-	-	(93,511)	(93,511)	-
Payments of interest	-	(26,704)	-	-	(193,349)	(220,053)	-
Payments for acquisition of property and equipment	(8,217,234)	(89,997)	-	-	(115,166)	(8,422,397)	(6,832)
Proceeds on sale of property and equipment	778,425	-	-	-	-	778,425	-
Net cash (used in) provided by capital and related financial activities	(7,438,809)	(153,819)	-	-	(4,047,273)	(11,639,901)	(6,832)
Subtotal carried forward	\$ (2,104,707)	\$ (4,661,114)	\$ 907,572	\$ 26,589,751	\$ 734,798	\$ 21,466,300	\$ 74,395

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)

Year ended June 30, 2002

	Federal Low Rent Program	Dwelling Unit Revolving Fund	Homes Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Subtotal carried forward	\$ (2,104,707)	\$ (4,661,114)	\$ 907,572	\$ 26,589,751	\$ 734,798	\$ 21,466,300	\$ 74,395
Cash flows from investing activities:							
Purchases of investments	(18,600,000)	-	-	(127,989,464)	(37,143,676)	(183,733,140)	-
Proceeds from maturities of investments	18,600,000	-	-	87,941,159	36,763,578	143,304,737	-
Receipts of interest	276,708	4,122,115	261,236	13,775,635	6,644,636	25,080,330	50,244
Net increase in restricted deposits and funded reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(412,476)</u>	<u>(412,476)</u>	<u>-</u>
Net cash provided by (used in) investing activities	276,708	4,122,115	261,236	(26,272,670)	5,852,062	(15,760,549)	50,244
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,827,999)	(538,999)	1,168,808	317,081	6,586,860	5,705,751	124,639
Cash and cash equivalents at July 1, 2001	<u>10,363,074</u>	<u>89,247,178</u>	<u>4,143,153</u>	<u>6,851,738</u>	<u>93,822,153</u>	<u>204,427,296</u>	<u>1,104,219</u>
Cash and cash equivalents at June 30, 2002	<u>\$ 8,535,075</u>	<u>\$ 88,708,179</u>	<u>\$ 5,311,961</u>	<u>\$ 7,168,819</u>	<u>\$ 100,409,013</u>	<u>\$ 210,133,047</u>	<u>\$ 1,228,858</u>
Reconciliation of cash to cash and cash equivalents:							
Cash	\$ 8,535,075	\$ 88,708,179	\$ 5,311,961	\$ -	\$ 67,066,924	169,622,139	\$ 1,228,858
Money market funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,168,819</u>	<u>33,342,089</u>	<u>40,510,908</u>	<u>-</u>
Cash and cash equivalents at June 30, 2002	<u>\$ 8,535,075</u>	<u>\$ 88,708,179</u>	<u>\$ 5,311,961</u>	<u>\$ 7,168,819</u>	<u>\$ 100,409,013</u>	<u>\$ 210,133,047</u>	<u>\$ 1,228,858</u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)

Year ended June 30, 2002

	Federal Low Rent Program	Dwelling Unit Revolving Fund	Homes Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:							
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:							
Operating (loss) income	\$ (18,684,771)	\$ (1,464,828)	\$ (23,165,508)	\$ 9,879,270	\$ 971,795	\$ (32,464,042)	\$ 7,534
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:							
Net increase in fair value of mortgage-backed securities	-	-	-	(19,038,950)	-	(19,038,950)	-
Depreciation	7,046,268	318,675	-	-	7,480,491	14,845,434	84,578
Provision for losses	-	269,643	-	-	343,710	613,353	-
Changes in assets and liabilities:							
Mortgage loans receivable	-	164,090	-	7,346,150	(7,800,041)	(289,801)	-
Notes and loans receivable	-	(3,191,164)	-	-	3,433,780	242,616	-
Accrued interest receivable on mortgages, notes and loans	-	-	-	(9,400)	552,225	542,825	-
Tenant receivables	190,373	(9,180)	-	-	(269,305)	(88,112)	-
Other receivables	(6,042)	244,394	1,303,354	-	348,192	1,889,898	-
Due from other funds	421,669	709,083	-	-	(570,239)	560,513	19,907
Due from State of Hawaii	-	-	-	-	3,527	3,527	-
Due from HUD	-	-	-	-	(14,571)	(14,571)	-
Inventories	(1,698)	668,100	520,154	-	90,465	1,277,021	-
Prepaid expenses and other assets	31,844	-	-	51,956	(73,396)	10,404	-
Net investment in lease financing	-	-	-	-	402,622	402,622	-
Deposits held in trust	-	-	-	-	3,297	3,297	-
Investments in mortgage-backed securities	-	-	-	37,785,952	-	37,785,952	-
Accounts payable	(855,203)	(2,166,246)	-	(93,620)	(640,656)	(3,755,725)	-
Accrued interest payable	-	-	-	(51,321)	(218,887)	(270,208)	-
Other accrued expenses	78,504	(37,861)	-	6,119	(54,584)	(7,822)	-
Due to other funds	(202,201)	(905)	-	19,707	358,599	175,200	(30,792)
Due to State of Hawaii, including Office of Hawaiian Affairs	-	-	-	-	(50,000)	(50,000)	-
Due to HUD	-	-	-	-	(1,736)	(1,736)	-
Security deposits	(55,337)	3,720	-	-	45,551	(6,066)	-
Deferred income	-	18,983	-	-	(465)	18,518	-
Deferred commitment fees	-	-	-	54,042	-	54,042	-
Deferred gain on sale of units and land	-	(21,272)	(26,362)	-	-	(47,634)	-
Estimated future costs of land sold	-	-	22,981,421	-	-	22,981,421	-
Net cash (used in) provided by operating activities	<u>\$ (12,036,594)</u>	<u>\$ (4,494,768)</u>	<u>\$ 1,613,059</u>	<u>\$ 35,949,905</u>	<u>\$ 4,340,374</u>	<u>\$ 25,371,976</u>	<u>\$ 81,227</u>

The accompanying notes are an integral part of this statement.



State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2002

	Private Purpose Trusts
ASSETS	
Cash	\$ 5,270,457
Accrued interest	<u>292</u>
TOTAL ASSETS	<u><u>\$ 5,270,749</u></u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	<u>\$ 15,952</u>
Total liabilities	15,952
Net assets	
Held in trust	<u>5,254,797</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,270,749</u></u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

Year ended June 30, 2002

	<u>Private Purpose Trusts</u>
Additions	
State allotted appropriations	\$ 17,952,000
Interest	<u>3,017</u>
Total additions	17,955,017
Deductions	
Capital outlays	<u>14,773,965</u>
Total deductions	<u>14,773,965</u>
CHANGE IN NET ASSETS	3,181,052
Net assets at July 1, 2001	<u>2,073,745</u>
Net assets at June 30, 2002	<u><u>\$ 5,254,797</u></u>

The accompanying notes are an integral part of this statement.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

General

Chapter 201E, Hawaii Revised Statutes and Act 337, Session Laws of Hawaii (SLH) 1987, created the Housing Finance and Development Corporation (HFDC). The HFDC was created to perform housing finance, housing development and residential leasehold functions. The Hawaii Housing Authority, State of Hawaii (Authority) was organized pursuant to the provisions of Chapter 356, Hawaii Revised Statutes. The Authority was created to provide safe and sanitary dwelling accommodations for low and moderate-income residents of Hawaii.

In accordance with Act 350, SLH, 1997, effective July 1, 1998, the functions and employees of HFDC as well as those of the Authority and the Rental Housing Trust Fund were transferred to the newly created Housing and Community Development Corporation of Hawaii (Corporation). The purpose of Act 350, SLH, 1997, was to consolidate all state housing functions previously administered by the Authority, HFDC and the Rental Housing Trust Fund. The Corporation is a public body and a body corporate and politic and is, for administrative purposes only, considered to be a part of the State Department of Business, Economic Development and Tourism.

For financial reporting purposes, the Corporation includes all funds that are controlled by or dependent on the Corporation's Board of Directors. Control by or dependence on the Corporation was determined on the basis of statutory authority and monies flowing through the Corporation to each fund.

HUD Subsidized Programs

The Federal Low-Rent Program and the various Section 8 funds are referred to collectively as the HUD Subsidized Programs and represent the contracts that the Corporation has entered into with the U.S. Department of Housing and Urban Development (HUD). The Federal Low-Rent Program is used to account for Corporation-owned housing projects, which are rented to low-income families.

HUD Subsidized Programs include subsidized housing assistance payments. Under these programs, low-income tenants lease housing units directly from private landlords rather than from the Corporation. Rental payment subsidies are paid directly to the private landlords by the Corporation using operating subsidies obtained from HUD.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

HUD Subsidized Programs (continued)

The Federal Low-Rent Program includes all property and equipment, principally structures and improvements, acquired with contributions from HUD.

Significant Accounting Policies

1. Basic Financial Statements

The accompanying financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments. This Statement establishes new financial reporting requirements for state and local governments in the United States of America. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected. The Corporation is required to implement these standards for the fiscal year ended June 30, 2002.

Other GASB Statements are required to be implemented in conjunction with Statement 34. Therefore, the Corporation has implemented the following GASB Statements in the current fiscal year: Statement 36, Recipient Reporting for Certain Shared Nonexchange Revenues, Statement 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments: Omnibus and Statement 38, Certain Financial Statement Note Disclosures.

The Corporation is part of the executive branch of the State. The financial statements of the Corporation, are intended to present the financial position, changes in financial position, and cash flows where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2002, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which includes the Corporation’s financial activities.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets and the statement of activities, report information of all of the non-fiduciary activities of the Corporation. Governmental activities,

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-Wide and Fund Financial Statements (continued)

which normally are supported by State allotments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues. The Corporation does employ an indirect cost allocation system.

Net assets are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

The fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column. The Corporation's fiduciary funds are presented in the fund financial statements. Since by definition their assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities as obligations of the government, their funds are not incorporated into the government-wide statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

a. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest expense of approximately \$42,135,000 were included as direct function expenses during the year ended June 30, 2002.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

b. Governmental Fund Financial Statements

The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. In applying the susceptible to accrual concept to intergovernmental revenues pursuant to GASB Statement 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when applicable requirements, including time requirements are met.

Principal revenue sources considered susceptible to accrual include federal grants, and interest on investments. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the Corporation.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' vested vacation, which is recorded as an expenditure when utilized or paid. The amount of unmatured long-term indebtedness related to accumulated vacation at June 30, 2002 has been reported in the government-wide financial statements.

c. Proprietary Funds and Fiduciary Funds

The financial statements of proprietary funds and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under GASB Statement 20, Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that Use Proprietary Fund Accounting, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Corporation has elected to not apply FASB statements after the applicable date.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

c. Proprietary Funds and Fiduciary Funds (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Corporation's enterprise funds are interest income, rental income, land sales and conveyance tax revenues. Federal grants and interest income from investments are reported as nonoperating income.

4. Fund Accounting

The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Corporation uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

GASB Statement 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

a. Governmental Funds

General Fund – The general fund is the general operating fund of the Corporation. It is used to account for all financial activities except those required to be accounted for in another fund. This fund includes the Rent Supplement, Security/Beautification and the Homeless Program. The annual operating budget as authorized by the State Legislature provides the basic framework within which the resources and obligations of the general fund are accounted.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. These funds include Section 8 Housing Voucher Program, New Construction Haili, New Construction, Contract Administration, Drug Elimination Programs, Shelter Plus Care, Family Investment Center, Youth Sports Program, Safe and Drug Free Schools and Communities, Housing Opportunities for Persons with AIDS (HOPWA) Program, Economic Development and Support Services, Emergency Shelter Grant Program, Supportive Housing Program and the Emergency Grant Loan Fund.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Fund Accounting (continued)

a. Governmental Funds (continued)

Capital Projects Fund – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund type. These funds include the Capital Projects Fund, EDI Special Project Grant and Department of Labor Employment and Training Grant.

Major Governmental Funds – The Corporation reports the following major governmental funds:

General Fund

Capital Projects Fund

Housing Voucher Program – accounts for federal contributions for housing assistance payments under the Housing Choice Voucher Program.

Section 8 Contract Administration – accounts for federal contributions for primarily for housing payments under the Project-Based Section 8 program.

b. Proprietary Funds

Enterprise Funds – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate. The enterprise funds include the Revenue Bond Funds, Dwelling Unit Revolving Fund, Homes Revolving Fund, and other funds.

Under the Revenue Bond Funds, proceeds from the bond issues are used to make below-market interest rate mortgage loans to persons and families of low to moderate income for the purchase of owner-occupied single-family and condominium dwellings, provide interim construction loans and permanent financing of affordable rental housing projects; and to finance multifamily housing projects. These funds include the Single Family Mortgage Purchase Revenue Bond Fund, the Multifamily Revenue Bond Fund, the Rental Housing System Revenue Bond Fund, the State of Hawaii Affordable Rental Program (SHARP) and the University of Hawaii Faculty Housing Program Revenue Bond Fund.

The other funds include the Federal Low-Rent Program, Housing Revolving Fund, Housing for Elders Revolving Fund, Teacher Housing Revolving, Banyan Street Manor Project,



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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Fund Accounting (continued)

b. Proprietary Funds (continued)

Wilikina Apartments Project, Kekuilani Gardens Project, Kekumu at Waikoloa Project, Fee Simple Residential Revolving Fund, Hawaii Development Revolving Fund, Rental Assistance Fund, Housing Finance Revolving Fund, Disbursing Fund, Rental Housing Trust Fund, Housing Alteration Revolving Loan Fund, Federal Grant Program Fund, Grant-in-aid Fund, Hamakua and Waialua.

Internal Service Funds – These funds account for those activities, which provide goods or services primarily to the Corporation, rather than to external parties. In the government-wide statements, internal service funds are included with business-type activities. These funds include the Equipment Rental Fund and Vehicle Rental Fund.

Major Proprietary Funds – The Corporation reports the following as major proprietary funds:

Federal Low-Rent Program – accounts for the proceeds from federal contributions for the development of rental property and rental income and federal operating subsidies from such properties.

Dwelling Unit Revolving Fund – accounts for state funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties, providing mortgage and interim financing and rental income and sales proceeds and interest earnings from the financing and investment of such funds.

Homes Revolving Fund – accounts for the proceeds from state contributions for the purpose of developing and implementing affordable housing development programs.

Single Family Mortgage Purchase Revenue Bond Fund – accounts for the proceeds for the issuance of bonds used to make below-market interest rate mortgage loans and the repayment, interest, and earnings from such loans and investment of such funds.

c. Fiduciary Funds

The private-purpose trust funds account for net assets held in a trustee capacity for others.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. Capital assets are defined by the Corporation as land and those assets with estimated useful lives greater than one year and with an acquisition cost greater than:

Land improvements	\$100,000
Building and building improvements	100,000
Equipment	5,000

Purchased and constructed capital assets are valued at cost. Donated assets are recorded at their fair market value at the date of donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds financial statements. The Corporation utilizes the straight-line method over the assets' estimated useful life. No depreciation is recorded for land and land improvements. Generally, the useful lives are as follows:

	Governmental Activities	Proprietary Fund and business-type activities
Building and building improvements	25 years	10 – 40 years
Equipment	7 years	1 – 10 years

6. Deferred Revenues

Deferred revenues at the fund level and government-wide level arise when the Corporation receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criteria is met, or when the Corporation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized. Deferred revenues at June 30, 2002 consist primarily of Federal grant funds.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the statement of cash flows – proprietary funds include all cash and investments with original purchased maturities of three months or less.

8. Investments

Investments in U.S. government securities, certificates of deposit and money market funds with maturities of one year or less when purchased are stated at cost. Non-participating investment contracts, generally repurchase agreements, are reported at cost. All other investments are reported at fair value.

9. Inventories

Development in Progress and Dwelling Units

Inventories consist of developments in progress and units available for sale. Units available for sale include constructed units, developed lots and repurchased units available for sale. Developments in progress include construction in progress and land held for future development. The Corporation currently has three development projects in progress. These master planned community projects include Kapolei (Oahu), La'opua (Hawaii), and Leiali'i (Maui). Costs included in developments in progress relate to infrastructure construction for these master planned communities.

Inventories are stated at the lower of cost or estimated net realizable value. All estimated carrying costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Valuation allowances for estimated losses on units available for sale are provided when the total estimated carrying costs exceeds the estimated net realizable value. Estimated net realizable value represents management's estimates, based on managements' plans and intentions, of sales price less development, holding and disposition costs, assuming that the development and disposition occurs in the normal course of business.

The recognition of gain from the sale of units is dependent on a number of factors relating to the nature of the property sold, the terms of the sale and the future involvement of the Corporation in the property sold. If a real estate transaction does not meet established financial criteria, profit recognition is deferred and recognized under the installment or cost recovery method until such time as the criteria are met.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Inventories (continued)

Material and Supplies

In the governmental funds, the cost of inventories is recorded as an expenditure when consumed.

10. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See note R for details of interfund transactions, including receivables and payables at year end.

11. HUD Annual Contributions

The Corporation receives annual contributions and subsidies from HUD for operating the Corporation’s housing assistance payment programs and the development and operation of low-income housing projects. The Corporation also receives annual subsidies from HUD for housing assistance payments and operating deficits incurred in the operation of the programs. Annual subsidies recorded in the proprietary fund types are recognized as nonoperating revenue when realized and earned and are accounted for in the statement of revenues, expenses and changes in fund net assets – proprietary funds as HUD operating subsidy.

12. Amortization

Issuance costs of revenue bonds are deferred and amortized ratably over the term of the bond principal outstanding.

13. Vacation and Sick Pay

Employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as accrued wages and employee benefits payable in the government-wide and the enterprise funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be paid during the

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Vacation and Sick Pay (continued)

next year is approximately \$592,000. The change in accumulated unpaid vacation during the year is approximately as follows:

<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2002</u>
\$2,091,000	\$847,000	\$726,000	\$2,212,000

Unused sick leave may be accumulated without limit but can be taken only in the event of illness and is not convertible to pay upon termination of employment.

14. Allocated Costs

The Corporation provides certain administrative services to its various funds. The cost of these services is allocated to the funds based on estimates of the Corporation.

15. Reservations of Fund Balances

The general and capital projects fund balances are reserved for continuing appropriations, which are comprised of encumbrances and unencumbered allotment balances. Encumbrances represent outstanding commitments, which generally are liquidated in the subsequent fiscal year. Unencumbered allotment balances represent amounts that have been released and made available for encumbrance or expenditure and are legally segregated for a specific future use.

16. Risk Management

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

17. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE B – BUDGETING AND BUDGETARY CONTROL

The budget of the Corporation is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year, (2) the estimated revenues available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which financial policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated throughout the fiscal year. Amounts reflected as budgeted revenues in the accompanying Required Supplementary Information – Budgetary Comparison Schedule estimates as compiled by the Corporation and reviewed by the Department of Budget and Finance. Budgeted expenditures are derived primarily from acts of the State Legislature and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes and other specific appropriation acts in various Session Laws of Hawaii.

Expenditures of these appropriated funds are made pursuant to the appropriations in the biennial budget as amended by subsequent supplemental appropriations. Budgetary control is maintained at the departmental level. Budget revisions and interdepartmental transfers may be affected with certain executive and legislative branch approvals.

The general fund and certain special revenue funds have legally appropriated annual budgets. The final legally adopted budget in the accompanying Required Supplementary Information – Budgetary Comparison Schedule represent the original appropriations, transfers and other legally authorized legislative and executive changes.

To the extent not expended or encumbered, general fund and special revenue funds appropriations generally lapse at the end of the fiscal year or grant period for which the appropriations were made. The State Legislature or federal government specifies the lapse dates and any other contingencies that may terminate the authorization for other appropriations. Known lapses occurring in the year of appropriation, if any, are included in the amended budgets, and are netted against revenues in the accompanying Required Supplementary Information – Budgetary Comparison Schedule..

A comparison of both the original budget and the final budget to the actual revenues and expenditures of the general and certain special revenue funds are presented in the accompanying Required Supplementary Information – Budgetary Comparison Schedule. Differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with generally accepted accounting principles (GAAP) are mainly due to revenues and expenditures of unbudgeted funds and the different methods used to recognize resource uses. For budgeting purposes, resource uses are recognized when cash disbursements are made or funds are encumbered. For financial statements presented in accordance with GAAP, expenditures are recognized when incurred and encumbrances are not reported as resources used.

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE B – BUDGETING AND BUDGETARY CONTROL (continued)

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2002 is set forth in the Required Supplementary Information.

NOTE C – CASH

The State maintains a cash pool that is available to all funds. The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance may invest any monies of the State, which in the Director's judgment are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited with approved financial institutions or invested in the State Treasury Investment Pool. Cash accounts that participate in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that the depository banks pledge, as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

Cash, other than pooled cash, of approximately \$15,108,000 is included in the statement of net assets as cash deposits held in trust and assets held by trustees. The Corporation maintains its cash balances at several financial institutions located in the State. Bank balances as of June 30, 2002 were approximately \$12,885,000. Of the bank balances, \$1,545,000 was covered by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name, \$11,336,000 was covered by collateral held by the pledging financial institution's trust department or agent in the Corporation's name, and \$4000 was uninsured and uncollateralized.

NOTE D – INVESTMENTS

The Revenue Bond Funds' trust indentures authorize the trustees to invest in certificates of deposit, money market funds, U. S. government or agency obligations, and repurchase agreements. Uninsured certificates of deposit are required to be collateralized by investment securities of an equal or greater market value. Repurchase agreements are generally treated as collateral lending. The underlying securities for repurchase agreements are required to be U. S. government or agency obligations of an equal or greater market value. The Corporation monitors the market value of these securities and obtains additional collateral when appropriate. At June 30, 2002, the underlying market values of the securities approximated carrying amount. These investments are included on the statement of net assets as assets held by trustees.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE D – INVESTMENTS (continued)

Investments are categorized to give an indication of the level of risk assumed by the Corporation at June 30, 2002. Category 1 includes investments that are insured or registered, or for which the securities are held by the Corporation or its agent in the Corporation's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Corporation's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Corporation's name.

Investments at June 30, 2002 are summarized as follows:

	Category			Reported	Fair value
	1	2	3	amount	
Certificates of deposit	\$70,000	\$4,300,000	\$ –	\$ 4,370,000	\$ 4,370,000
U. S. government securities	10,031,544	8,768,026	–	18,799,570	18,799,144
Mortgage-backed securities	6,549,807	459,140,393	–	465,690,200	465,690,200
Repurchase agreements	–	245,186,093	–	245,186,093	245,186,093
	<u>\$16,651,351</u>	<u>\$717,394,512</u>	<u>\$ –</u>	734,045,863	734,045,437
Money market funds				40,510,908	40,510,908
Guaranteed investment contracts				<u>923,653</u>	<u>923,653</u>
Total investments				<u>\$775,480,424</u>	<u>\$775,479,998</u>

NOTE E – MORTGAGE LOANS AND NOTES AND LOANS RECEIVABLE

Mortgage loans and other notes and loans receivable at June 30, 2002 are comprised of the following:

	Mortgage loans	Notes and loans
Mortgage loans bearing interest at 0.0% to 11.0%, maturing at various dates through 2044	\$78,360,921	\$ –
Interim construction loans bearing interest at 5.0% and 6.0%, maturing in 2003 and 2007	–	4,724,694
Promissory note bearing interest at 9%, due 2010	–	426,100
	<u>78,360,921</u>	<u>5,150,794</u>
Less current maturities	<u>7,062,966</u>	<u>884,083</u>
	<u>\$71,297,955</u>	<u>\$4,266,711</u>



State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE E – MORTGAGE LOANS AND NOTES AND LOANS RECEIVABLE (continued)

Mortgage and development loans are collateralized by real property. The Revenue Bond Funds' mortgage loans are also subject to primary mortgage and mortgage pool insurance coverage that, subject to aggregate loss limitations, reimburses the Corporation for all losses incurred, if any, from the disposition of real property acquired through foreclosure.

During 1984, the Corporation entered into a sales transaction with a group of limited partnerships involving two housing projects owned by the Corporation and one owned by a related entity. The projects were sold for approximately \$10,800,000, consisting of \$350,000 in cash, \$7,450,000 in mortgages and other secured notes and approximately \$3,000,000 in assumed debt. Since the limited partnership's continuing investment is not considered adequate, the gain on the sale is recognized on the installment method in the Corporation's Rental Assistance Fund (RAF). The gain resulting from the sale of the Corporation's two housing projects of approximately \$1,570,000 is being recognized as earned revenue when payments are received. The gain resulting from the sale of the related entity's housing project of approximately \$1,507,000 was recognized as contributed capital when payments were received. In 2000, the Corporation collected the outstanding balances of two of the housing projects. As a result, the Corporation recognized approximately \$503,000 of gain and approximately \$1,170,000 of contributed capital. In 2002, the housing project was sold to another party and the outstanding principal and accrued interest receivable of \$911,653 and \$1,438,832, respectively, was paid off. As a result of this transaction, the Corporation recognized the remaining gain of approximately \$605,000 during the year ended June 30, 2002.

The \$426,100 promissory note receivable from a developer is uncollateralized. On January 1, 2010, the Corporation has the option to acquire certain improvements constructed by the developer. If the Corporation does not exercise the option, the entire principal balance and accrued interest shall be paid over a period of 15 years in monthly installments necessary to fully amortize the outstanding amount of this note.

NOTE F – NET INVESTMENT IN FINANCING LEASE

University of Hawaii Faculty Housing Program Revenue Bond Fund

On November 1, 1995, the Corporation entered into a lease and sublease agreement (Agreement) with the Board of Regents, University of Hawaii (University). Under the Agreement, the Corporation leases the land under the housing project from the University for an annual rent of \$1 and then subleases the leased land, buildings and improvements and equipment back to the University. The University will make certain lease rental payments to the Corporation, including amounts sufficient to pay the principal, premium, if any, and interest on the bonds as the same become due and payable. The Agreement expires on June 30, 2026. Upon expiration of the Agreement, the ownership of the buildings and improvements and equipment will revert to the University.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE F – NET INVESTMENT IN FINANCING LEASE (continued)

University of Hawaii Faculty Housing Program Revenue Bond Fund (continued)

The following lists the components of the net investment in direct financing lease as of June 30, 2002:

Total minimum lease payments to be received	\$ 32,535,866
Less unearned interest income	<u>(14,375,820)</u>
Net investment in direct financing lease	18,160,046
Less current portion	<u>420,538</u>
	<u><u>\$ 17,739,508</u></u>

The future minimum lease payments to be received through 2007 and in five-year increments thereafter are as follows:

Year ending June 30,	
2003	\$ 1,237,249
2004	1,236,030
2005	1,238,635
2006	1,235,078
2007	1,235,078
2008 – 2012	4,048,510
2013 – 2017	9,553,474
2018 – 2022	2,448,150
2023 – 2026	<u>10,303,662</u>
	<u><u>\$32,535,866</u></u>

NOTE G – REVENUE BOND FUNDS – RESERVE REQUIREMENTS

Under the trust indentures between the Corporation and the trustees for the Single Family Mortgage Purchase Revenue Bonds, investment assets and cash are required to be held by the trustees in various accounts and funds, including debt service reserve accounts, loan funds and mortgage loan reserve funds. The uses of these assets are restricted by the terms of the indentures. At June 30, 2002, the debt service reserves and mortgage loan reserves required by the indentures were as follows:

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE G – REVENUE BOND FUNDS – RESERVE REQUIREMENTS (continued)

	Single Family Mortgage Purchase
Debt service reserve requirements	\$65,404,500
Mortgage loan reserve requirements	<u>5,384,748</u>
	<u><u>\$70,789,248</u></u>

At June 30, 2002, approximately \$67 million and \$5.9 million of investment securities, at cost, were being held in the debt service reserve funds and mortgage loan reserve funds, respectively.

Under the trust indenture agreement between the Corporation and the trustee for the Rental Housing System and SHARP revenue bonds, the Corporation is required to provide net revenues (as defined in the trust indenture agreement) together with lawfully available funds of at least 1.25 times the aggregate debt service on outstanding bonds during the bond year. Additionally, the Corporation is to provide net revenues (as defined in the trust indenture agreement) of at least 1.10 times the aggregate debt service on outstanding bonds during the bond year. At June 30, 2002, the Rental Housing System and SHARP revenue bond funds provided net revenues (as defined in the trust indenture agreement) together with lawfully available funds of 6.65 and 17.00 times the aggregate debt service on outstanding bonds during the year, respectively, and net revenues (as defined in the trust indenture agreement) of 1.35 and 2.20 times the aggregate debt service on outstanding bonds during the year, respectively. As per the trust indenture agreement, the Rental Housing System Revenue Bond Fund may use unrestricted assets of the Corporation's other funds to calculate the ratio of net revenues and lawfully available funds to the aggregate debt service on outstanding bonds during the year.

The trust indenture agreement also requires that the mortgage loan reserves for these Revenue Bond Funds be funded from other than bond proceeds and, accordingly, the reserves have been funded by commitment fees at June 30, 2002.

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,373,410	\$ —	\$ —	\$ 2,373,410
Construction in progress	3,966,765	7,101,742	—	11,068,507
Total capital assets not being depreciated	6,340,175	7,101,742	—	13,441,917
Capital assets, being depreciated				
Building and improvements	34,820,759	9,572	—	34,830,331
Equipment	1,096,574	—	—	1,096,574
Total capital assets being depreciated	35,917,333	9,572	—	35,926,905
Less accumulated depreciation for:				
Building and improvements	13,626,398	785,458	—	14,411,856
Equipment	970,464	40,986	—	1,011,450
Total accumulated depreciation	14,596,862	826,444	—	15,423,306
Governmental activities, net	<u>\$ 27,660,646</u>	<u>\$ 6,284,870</u>	<u>\$ —</u>	<u>\$ 33,945,516</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 61,497,688	\$ 89,998	\$ —	\$ 61,587,686
Construction in progress	17,397,937	8,160,554	—	25,558,491
Total capital assets not being depreciated	78,895,625	8,250,552	—	87,146,177
Capital assets being depreciated				
Building and improvements	542,503,334	17,807	8,398,291	534,122,850
Equipment	11,951,092	160,870	916,963	11,194,999
Total capital assets being depreciated	554,454,426	178,677	9,315,254	545,317,849
Less accumulated depreciation for:				
Building and improvements	238,251,500	14,285,786	4,242,499	248,294,787
Equipment	9,477,170	644,226	796,053	9,325,343
Total accumulated depreciation	247,728,670	14,930,012	5,038,552	257,620,130
Business-type activities capital assets, net	<u>\$385,621,381</u>	<u>\$ (6,500,783)</u>	<u>\$ 4,276,702</u>	<u>\$374,843,896</u>

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE H – CAPITAL ASSETS (continued)

Current-period depreciation expense was charged to function as follows:

Governmental activities	
Homeless Service and Assistance Program	\$115,770
Rental Housing and Assistance Program	<u>710,674</u>
Total depreciation expense – governmental activities	<u><u>\$826,444</u></u>

At June 30, 2002, capital assets for the proprietary funds consisted of the following:

	Proprietary Fund Types						
	Enterprise Funds				Internal Service		Total
	Revenue Bond Funds	Dwelling Unit Revolving Fund	Other Funds	Miscellaneous Funds	Equipment Rental	Vehicle Rental	
Land	\$ 16,186,850	\$21,360,160	\$ 24,040,676	\$ –	\$ –	\$ –	\$ 61,587,686
Buildings and improvements	129,119,274	9,146,380	410,604,453	–	–	–	548,870,107
Equipment, furniture and fixtures	1,613,750	259,234	7,276,108	7,100	1,543,829	490,995	11,191,016
Construction in progress	–	–	10,811,232	–	–	–	10,811,232
	146,919,874	30,765,774	452,732,469	7,100	1,543,829	490,995	632,460,041
Less accumulated depreciation	46,833,412	6,234,431	202,681,400	7,100	1,439,802	420,000	257,616,145
Net property and equipment	\$100,086,462	\$24,531,343	\$250,051,069	\$ –	\$ 104,027	\$ 70,995	\$374,843,896

NOTE I – MORTGAGE AND NOTES PAYABLE

Mortgage Payable

The Banyan Street Manor Project entered into a mortgage note agreement in October 1976 in the amount of \$1,727,800 with USGI, Inc. (insured by HUD). On September 1, 1996, Greystone Servicing Corporation, Inc. (GSCI) became the new servicing agent and mortgagee. The mortgage loan bears interest at 7.5% and is collateralized by the rental property. Principal and interest are payable in monthly installments of \$11,370, maturing January 1, 2018. At June 30, 2002, the mortgage payable balance was \$886,730.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE I – MORTGAGE AND NOTES PAYABLE (continued)

Mortgage Payable (continued)

The Kekuilani Gardens Project (Kekuilani) entered into a mortgage agreement in December 1996 in the amount of \$5,213,614 with the U.S. Department of Agriculture and Rural Development. The mortgage loan bears interest at 7.25% and is collateralized by the Kekuilani Gardens Project. Principal and interest are payable in monthly installments of \$11,509 and matures on December 1, 2046. At June 30, 2002, the mortgage payable balance was \$5,144,006.

Kekuilani also entered into an interest credit and rental assistance agreement in December 1996 with the U.S. Department of Agriculture and Rural Development, which reduces Kekuilani's principal and interest payments. During the period, Kekuilani realized approximately \$255,800 of interest credit reducing the interest expense from approximately \$375,000 to \$117,735.

In addition, Kekuilani entered into a mortgage agreement in December 1996 in the amount of \$696,267 with the Rental Housing Trust Fund. The mortgage loan bears interest at 1% and is collateralized by the Kekuilani Gardens Project. Principal and interest are payable in monthly installments of \$1,475 and matures on January 1, 2047. At June 30, 2002, the mortgage payable balance was \$628,786.

Notes Payable

The Corporation has three mortgage notes payable to the U.S. Department of Agriculture, Farmers Home Administration (FmHA). Two notes were originated in August 1976, and are payable in combined monthly installments of \$2,207, including interest at 1%, with the final combined payment due in August 2009. The third note was originated in October 1994, and is payable in monthly installments of \$1,315, including interest at 1%, due in October 2027. The notes are secured by property and rental receipts. Notes payable to the U.S. Department of Agriculture FmHA as of June 30, 2002 totaled \$492,365.

During 1996, the SHARP borrowed \$3.5 million from the Rental Housing Trust Fund and issued approximately \$7 million of revenue bonds to purchase the Kekuilani Courts Rental Housing project from an outside party. The full amount of the non-interest bearing note shall become due and payable upon the earlier of June 30, 2027, or the redemption of all SHARP revenue bonds associated with the Kekuilani Courts Rental Housing project.

Notes payable also consists of a \$171,327 unsecured promissory note payable to an individual (the former owner of Banyan Street). The entire principal balance plus accrued interest, which accrues at the same rate as the residual receipt funds held by GSCI, Inc. (approximately 1.0% for the year ended June 30, 2002), is due within 45 days of full payment of the 7.5% GSCI, Inc. mortgage note collateralized by HUD which matures on January 1, 2018.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE I – MORTGAGE AND NOTES PAYABLE (continued)

Notes Payable (continued)

Mortgage and notes payable activity during the year was as follows:

	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002
Mortgage payable	\$ 6,753,033	\$ –	\$ 93,511	\$ 6,659,522
Notes payable	4,200,810	–	37,118	4,163,692
Totals	<u>\$10,953,843</u>	<u>\$ –</u>	<u>\$130,629</u>	<u>\$10,823,214</u>

The approximate debt service requirements of mortgage and notes payable through 2007 and in five-year increments thereafter to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2003	\$ 137,061	\$ 129,334	\$ 266,395
2004	144,760	127,635	272,395
2005	152,555	125,840	278,395
2006	161,452	123,943	285,395
2007	170,458	121,937	292,395
2008-2012	520,914	577,256	1,098,170
2013-2017	559,323	512,092	1,071,415
2018-2022	574,551	412,843	987,394
2023-2027	4,047,498	285,832	4,333,330
2028-2032	644,967	107,124	752,091
2033-2037	896,908	9,559	906,467
2038-2042	1,257,054	5,513	1,262,567
2043-2047	1,555,713	1,358	1,557,071
	<u>\$10,823,214</u>	<u>\$2,540,266</u>	<u>\$13,363,480</u>

NOTE J – REVENUE BONDS PAYABLE

Through June 30, 2002, approximately \$1,941,523,000 of revenue bonds has been issued. The revenue bonds are payable from and secured solely by the revenues and other monies and assets of the Revenue Bond Funds and other assets of the Corporation pledged under the indentures.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE J – REVENUE BONDS PAYABLE (continued)

Revenue bonds payable at June 30, 2002 consist of the following issuances:

Single Family Mortgage Purchase revenue bonds:

1991 Series A:	
Serial bonds maturing annually through 2004 (6.55% to 6.75%)	\$ 855,000
Term bonds maturing annually from 2005 through 2012, 2018 through 2021, and 2026 through 2025 (6.75% to 7.10%)	<u>13,210,000</u>
	14,065,000
1991 Series B:	
Term bonds maturing annually from 2013 through 2017 and 2016 through 2032 (6.90% and 7.00%)	19,635,000
1994 Series A:	
Serial bonds maturing annually through 2010 (4.95% to 5.75%)	30,185,000
Term bonds maturing annually from 2017 through 2027 (5.05% to 6.00%)	<u>76,730,000</u>
	106,915,000
1994 Series B:	
Term bonds maturing annually from 2011 through 2018 and 2027 through 2028 (5.75% to 5.90%)	87,285,000
1997 Series A:	
Serial bonds maturing in 2003 (4.45% to 4.55%)	1,975,000
Term bonds maturing annually through 2031 (4.90% to 5.75%)	<u>85,420,000</u>
	87,395,000
1997 Series B:	
Serial bonds maturing annually from 2004 to 2010 (4.45% to 5.00%)	15,995,000
Term bonds maturing annually from 2011 through 2018 (5.45%)	<u>29,405,000</u>
	45,400,000
Single Family Mortgage Purchase revenue bonds subtotal carried forward	\$360,695,000



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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE J – REVENUE BONDS PAYABLE (continued)

Single Family Mortgage Purchase revenue bonds subtotal brought forward	\$360,695,000
1998 Series A:	
Serial bonds maturing annually through 2014 (4.25% to 5.25%)	29,710,000
Term bonds maturing annually from 2008 through 2031 (4.85% to 5.40%)	<u>105,025,000</u>
	134,735,000
1998 Series B:	
Term bonds maturing annually from 2020 through 2029 (5.30%)	11,085,000
1998 Series C:	
Term bonds maturing annually from 2020 through 2021 (5.35%)	4,060,000
2000 Series A	
Serial bonds maturing annually from 2003 through 2013 (5.30% to 6.15%)	13,570,000
Term bonds maturing annually from 2003 through 2033 (5.93% to 6.38%)	<u>92,265,000</u>
	105,835,000
2000 Series B	
Term bonds maturing annually from 2014 through 2016 (6.00%)	1,980,000
2002 Series A	
Serial bonds maturing from 2004 through 2013 (2.05% to 4.80%)	6,300,000
Term bonds maturing in 2015 through 2034 (4.40% to 5.38%)	24,620,000
Placed bonds maturing in 2024 through 2034 (5.38%)	<u>4,045,000</u>
	34,965,000
2002 Series B	
Term bonds maturing in 2027 through 2029 (5.25%)	<u>1,810,000</u>
Total Single Family Mortgage Purchase revenue bonds	\$655,165,000

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE J – REVENUE BONDS PAYABLE (continued)

Multifamily Housing revenue bonds:

1999 Series (Manana Gardens Apartment project) – serial Bonds maturing in 2035 (6.30%)	\$ 3,700,000
2000 Series (Sunset Villas project) – serial bonds maturing in 2012, 2022, 2032 and 2036 (5% to 5.75%)	27,180,000
2002 Series (Hale Hoaloha Apartments Project) – mortgage installment bonds maturing annually through 2018 (6.75%)	<u>3,395,219</u>

Total Multifamily Housing revenue bonds	34,275,219
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Rental Housing System revenue bonds:

1989 Series A (Honokowai Kauhale project) – serial Bonds maturing annually through 2025 (variable rate in accordance with the terms of the indenture, 1.33% at June 30, 2002)	14,900,000
1990 Series A (Kamakee Vista project) – serial bonds maturing annually through 2026 (variable rate in accordance with The terms of the indenture, 3.60% at June 30, 2002)	32,400,000
1990 Series B (Pohulani project) – serial bonds maturing annually through 2026 (variable rate in accordance with The terms of the indenture, 3,60% at June 30, 2002)	<u>34,600,000</u>
	81,900,000

1993 Series A (La'ilani project):

Serial bonds maturing annually through 2006 (4.80% to 5.20%)	1,615,000
Term bonds maturing in 2013 and 2019 (5.60% and 5.70%)	<u>9,560,000</u>
	<u>11,175,000</u>

Total Rental Housing System revenue bonds	\$93,075,000
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State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE J – REVENUE BONDS PAYABLE (continued)

State of Hawaii Affordable Rental Housing Program revenue bonds:

1993 Series A (Kauhale Kakaako project) – serial Bonds maturing annually through 2028 (variable rate in accordance with the terms of The indenture, 1.35% at June 30, 2002)	\$ 30,500,000
1995 Series A (Kekuilani Courts Rental Housing project) – term bonds maturing on 2016, 2023 and 2031 (6.00%, 6.05% and 6.10%)	<u>6,835,000</u>

Total State of Hawaii Affordable Rental Housing Program revenue bonds	37,335,000
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University of Hawaii Faculty Housing Program revenue bonds:

1995 Series:	
Serial bonds maturing annually through 2007 (4.45% to 5.00%)	1,895,000
Term bonds maturing annually from 2017 through 2026 (5.65% and 5.70%)	<u>14,255,000</u>

Total University of Hawaii Faculty Housing Program revenue bonds	<u>16,150,000</u>
	836,000,219

Deferred refunding amount (difference between reacquisition price and net carrying value of old debt)	<u>1,812,684</u>
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Total Revenue Bonds	834,187,535
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Less current portion	<u>12,930,582</u>
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	<u><u>\$821,256,953</u></u>
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Interest on the Single Family Mortgage Purchase, Multifamily Housing and University of Hawaii Faculty Housing Program revenue bonds is payable semi-annually. Interest on the Rental Housing System (RHS) and SHARP revenue bonds are payable monthly except for the RHS 1993 Series A and SHARP 1995 Series A bond issues, which are payable semi-annually.

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE J – REVENUE BONDS PAYABLE (continued)

Interest on the Rental Housing System 1989 Series A and 1990 Series A and B and State of Hawaii Affordable Rental Housing Program 1993 Series A revenue bonds bears interest at the rate determined each week by the Remarketing Agent on the basis of market conditions as more fully described in the indenture agreement.

The Single Family Mortgage Purchase and Rental Housing System revenue bonds with designated maturity dates, the Multifamily Housing revenue bonds, the SHARP 1995 Series A revenue bonds and the University of Hawaii Faculty Housing Program revenue bonds may be redeemed at the option of the Corporation commencing in 2001 for the Single Family Mortgage Purchase 1991 Series, 2004 for the Single Family Mortgage Purchase 1994 Series, 2007 for the Single Family Mortgage Purchase 1997 Series, subject to a redemption premium which ranges from 2% to zero; 2008 for the Single Family Mortgage Purchase 1998 Series, subject to a redemption premium that ranges from 1.5% to zero; 2010 for the Single Family Mortgage Purchase 2000 Series, and 2014 for the Single Family Mortgage Purchase 2002 Series, 2010 for the Multifamily Housing 1999 Series, 2011 for the 2000 Series, subject to a redemption premium which ranges from 2% to zero; 2005 for the SHARP 1995 Series A subject to redemption premiums that ranges from 2% to zero; and 2005 for the University of Hawaii Faculty Housing Program 1995 Series subject to redemption premiums that range from 1% to zero. The revenue bonds may also be redeemed without premium prior to maturity, at the option of the Corporation, as funds become available from undisbursed bond proceeds, principal payments and prepayments of mortgages, excess amounts in the debt service reserve account or excess revenues (as defined in the bond indentures). The Rental Housing System and SHARP revenue bonds with variable interest rates may be redeemed early at face value at the option of either the bondholders or the Corporation during the variable interest rate period. Subsequent to the variable interest rate period, the bonds may be redeemed early at the option of the Corporation subject to a redemption premium that ranges from 2.00% to zero.

During the year ended June 30, 2002, early redemptions totaled \$37,315,000.

The deferred bond issuance costs related to the early redemption of bonds are written off at the time an early redemption is approved and are reflected as an extraordinary item in the statement of activities and statement of revenues, expenses and changes in net assets – proprietary funds.

In addition, the trust indenture for the State of Hawaii Affordable Rental Program Revenue Bond Fund specifies that the Corporation submit certain financial reports to the trustee. The Corporation has not yet submitted these reports. The Corporation has obtained a waiver for the submission of these financial reports until March 2003.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE J – REVENUE BONDS PAYABLE (continued)

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002
Single Family Mortgage Purchase	\$664,045,000	\$36,775,000	\$45,655,000	\$655,165,000
Multifamily Housing	31,138,000	3,405,000	267,781	34,275,219
Rental Housing System	94,290,000	–	1,215,000	93,075,000
State of Hawaii Affordable Rental Housing Program	37,435,000	–	100,000	37,335,000
University of Hawaii Faculty Housing Program	16,480,000	–	330,000	16,150,000
	843,388,000	40,180,000	47,567,781	836,000,219
Less deferred refunding amount	1,897,795	86,900	172,011	1,812,684
Total	<u>\$841,490,205</u>	<u>\$40,093,100</u>	<u>\$47,395,770</u>	<u>\$834,187,535</u>

The approximate annual debt service requirements through 2007 and in five-year increments thereafter to maturity for revenue bonds are as follows:

Year ending June 30:	Principal	Interest	Total
2003	\$13,117,000	\$44,393,000	\$57,510,000
2004	12,795,000	43,711,000	56,506,000
2005	13,995,000	43,058,000	57,053,000
2006	15,030,000	42,381,000	57,411,000
2007	16,130,000	41,620,000	57,750,000
2008 – 2012	102,415,000	187,222,000	289,637,000
2013 – 2017	166,153,000	156,437,000	322,590,000
2018 – 2022	171,930,000	117,116,000	289,046,000
2023 – 2027	194,645,000	70,254,000	264,899,000
2028 – 2032	120,472,000	19,122,000	139,594,000
2033 – 2037	9,318,000	646,000	9,964,000
	<u>\$836,000,000</u>	<u>\$765,960,000</u>	<u>\$1,601,960,000</u>

Arbitrage Rebate

In order to ensure the exclusion of interest on the Corporation's Rental Housing System revenue bonds, SHARP revenue bonds and Single Family Mortgage Purchase 1989 Series A, 1990 Series A, 1991 Series A and B and 1994 Series A and B revenue bonds from gross income for federal income tax purposes, the Corporation calculates rebates due to the U. S. Treasury annually. The rebates are calculated by bond series based on the amount by which the cumulative amount of investment income exceeds the amount that would have been earned had funds been invested at the bond yield. At June 30, 2002, the Corporation determined that \$6,249,807 of rebates were due to the U. S. Treasury.

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE K – CONDUIT DEBT OBLIGATIONS

From time to time, the Corporation has issued Revenue Bonds to provide financial assistance to private sector entities for the acquisition and rehabilitation of multifamily rental housing developments. These bonds are special limited obligations of the Corporation, payable solely from and secured by a pledge of payments on the mortgage-backed securities. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The bonds are reported as liabilities in the accompanying financial statements along with the related assets.

As of June 30, 2002, there were three series of Revenue Bonds outstanding, with an aggregate principal amount payable of \$34,275,219.

NOTE L – LEASES

Lease Commitments

The Corporation leases land, buildings, and improvements under various noncancelable operating leases expiring at various dates through 2056. The land lease for the Banyan Street Manor Project contains the option to purchase the fee-simple interest in the land at any time for a specified percentage of fair market value at the time of purchase.

The minimum rental commitments under operating leases through 2007 and in five-year increments thereafter are as follows:

Year ending June 30,	
2003	\$ 603,000
2004	614,000
2005	625,000
2006	636,000
2007	648,000
2008 – 2012	2,822,000
2013 – 2017	2,904,000
2018 – 2022	3,294,000
2023 – 2027	3,492,000
2028 – 2032	3,689,000
2033 – 2037	3,787,000
2038 – 2042	4,442,000
2043 – 2047	4,486,000
2048 – 2052	5,240,000
2053 – 2056	4,709,000
	<hr/>
	<u>\$41,991,000</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE L – LEASES (continued)

Lease Commitments (continued)

Rent expense for the year ended June 30, 2002 totaled approximately \$667,000.

Lease Rentals

The Corporation leases approximately \$20,100,000 of land to various developers and home buyers. The leases are generally for 55 years with the last 25 years' lease rent negotiated based on the fair market value of the land. Rent income for the year ended June 30, 2002 was approximately \$338,000.

The future minimum lease rent from these operating leases at June 30, 2002 is as follows:

Year ending June 30:	
2003	\$324,000
2004	324,000
2005	284,000
2006	203,000
2007	181,000
2008 – 2012	916,000
2013 – 2017	873,000
2018 – 2022	642,000
	<hr/>
	\$3,747,000
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NOTE M – COMMITMENTS AND CONTINGENCIES

Loan Commitments and Guarantee

The Corporation has outstanding commitments to purchase loans from participating lenders of approximately \$50,300,000 at June 30, 2002.

As of June 30, 2002, the Corporation has filed an extension for filing its schedules of mortgage payment credits with the bond trustees for the Single Family Mortgage Purchase Revenue Bond Fund. Mortgage payment credits are the amounts to be credited to particular mortgagors, if any, who voluntarily prepay their mortgage loans in the ensuing year. The credits are based on the amount by which cumulative nonmortgage investment income exceeds the cumulative cost of the related funds. Estimated mortgage payment credits at June 30, 1992 amounted to approximately \$102,000 of which approximately \$84,143 was rebated through June 30, 2002.

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Loan Commitments and Guarantee (continued)

In accordance with the provision of the Development Agreement (Agreement) dated February 14, 1997 for the Single Family phases of Villages 7 and 8 at Kapolei, the Corporation shall provide interim construction financing of approximately \$67,000,000, subject to the satisfaction of certain terms and conditions of the Agreement. The term of the interim loan shall mature on the date, which is 48 months from the effective date of the Agreement and will accrue interest at 7.5%. In June 2000, the Corporation approved an extension for execution of the loan agreement until February 2001. During 2001, a request by the developer to amend the Agreement was approved by the Corporation. The major amendments include reduction in the number of units and acres of the development, the land purchase price, reduction to the interim construction financing to \$42,000,000, and the extension for the execution of loan agreement until November 2001. In January 2002, the Corporation and the developer executed the loan agreement and entered into an Amended and Restated Development Agreement, whereby, the Corporation will sell to the developer the parcel of land known as Kapolei Village 7 for \$2,570,000. The purchase price without interest, shall be paid from the net proceeds from the sale of a unit to an individual buyer. The Corporation shall convey the title to the buyers provided that certain events, as detailed in the development agreement, have occurred.

The Corporation has guaranteed up to \$40,000,000 of the mortgage loans sold by it to the Employees' Retirement System of the State of Hawaii (ERS). Upon the 120th day of any delinquency or default, the Corporation is obligated to cure the arrearage of principal and interest or buy back the delinquent loan. At June 30, 2002, the outstanding balance of mortgage loans that have been sold to the ERS which are covered by the loan guarantee was approximately \$1,276,000. At June 30, 2002, notes and loans receivable include approximately \$176,000 of delinquent loans purchased back from the ERS.

Construction Contracts

At June 30, 2002, the Dwelling Unit Revolving Fund had outstanding commitments to expend approximately \$1,249,999 for the construction and renovation of housing projects and outstanding commitments to fund interim loans for various projects totaling approximately \$38,159,000.

At June 30, 2002, the Homes Revolving Fund had outstanding commitments for construction contracts related to three master planned development projects of approximately \$12,000,000 of which approximately \$10,600,000 will be funded by the Corporation's Dwelling Unit Revolving Fund.

The Capital Projects Fund and the Fiduciary Funds had outstanding construction contract commitments of approximately \$10,919,000 at June 30, 2002.



State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Development Costs

The Kapolei development project primarily consists of eight villages spread over approximately 888 acres of land. As of June 30, 2002, six villages have been substantially completed and sold. The infrastructure for the remaining villages of the Kapolei project is currently under construction.

Development costs are periodically assessed for impairment when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. Because of the current real estate market conditions, management believes it is reasonably possible that the costs associated with the Kapolei project may not be recoverable in the near term. As of June 30, 2002, the most current assessment indicates a total project loss of approximately \$70,000,000. However, the Corporation is presently evaluating alternatives, including deferral of future expenditures until such time the real estate market improves, and remains committed to the project. Accordingly, no provision for any effect of the project's net realizable value, if any, has been made to the accompanying financial statements.

The estimated future cost of land sold relates primarily to the completion of certain off-site improvements at the Kapolei project. During 2002, the Corporation revised its revenue assumptions and cost to complete estimates of the Kapolei project. Changes in those estimates resulted in the reallocation of development costs and approximately \$36,700,000 of additional costs to complete estimates. Consequently, for the 2002 year, reallocated costs of approximately \$23,000,000 were charged to cost of land sold for land previously sold.

The Leiali'i project is a residential planned community located in the West Maui area. A large portion of the site is public trust ("ceded") land owned by the State of Hawaii. The Corporation's Board of Directors has approved funding of development costs for the Leiali'i Master Planned Community project of approximately \$68,000,000. As of June 30, 2002 approximately \$37 million has been expended, net of approximately \$1,370,000 from the County of Maui for the wastewater system design and water system and \$1,753,000 from the State Department of Transportation (DOT) for certain expenditures.

The La'i'opua project is designed to provide a range of housing opportunities within a master planned community located in North Kona. The project will consist of approximately 3,500 residential units on approximately 807 acres of land. A large portion of the site is public trust ("ceded") land owned by the State of Hawaii.

The Corporation's Board of Directors approved funding of the development costs for the infrastructure construction for the La'i'opua project of approximately \$40,600,000. The La'i'opua mauka/makai roadway is complete. Infrastructure for the phase 2A backbone is under construction with the remainder of the project in the master planning and design phases. As of June 30, 2002, approximately \$15,500,000

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Development Costs (continued)

has been expended, net of approximately \$10,000,000 of reimbursements from DOT for certain expenditures. Because of the current real estate market conditions, management believes it is reasonably possible that the costs associated with the La'i'opua project may not be recoverable in the near term. As of June 30, 2002, the most current assessment indicates a total project loss of approximately \$39,000,000. The Corporation is presently evaluating alternatives, including deferral of future expenditures until such time the real estate market improves, and remains committed to the project. Accordingly, no provision for any effect of the project's net realizable value, if any, has been made to the accompanying financial statements.

Presently, the development of the La'i'opua and Leiali'i projects has been indefinitely delayed pending resolution of certain legal proceedings surrounding ceded lands. As discussed further in note M to the financial statements, the Corporation is a defendant in two lawsuits that seek injunctive relief barring the Corporation from sale or transfer of certain ceded lands. The Corporation's ability to recover the carrying amount of these development projects in progress is dependent on the success of future development of the properties, including the financial ability of the Corporation to hold the projects, future market conditions, and the ultimate outcome of the ceded land lawsuits.

Rental Assistance

The Corporation's Board of Directors approved a commitment by the Rental Assistance Fund to provide maximum rental assistance subsidies of approximately \$41,500,000 on various projects.

Torts

The Corporation is involved in various actions, the outcome of which, in the opinion of management and the Attorney General, will not have a material adverse effect on the Corporation's financial position except for the OHA lawsuit described below. Losses, if any, are either covered by insurance or will be the liability against the State of Hawaii.

Workers' Compensation Policy

The Corporation has a retrospectively rated workers' compensation insurance policy. Based on available claim experience information, the minimum premium accrued for financial statement reporting purposes approximates the Corporation's ultimate workers' compensation cost.

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave at June 30, 2002 amounted to approximately \$6,078,000.

Deferred Compensation Plan

In 1984, the State established a deferred compensation plan, which enables State employees to defer a portion of their compensation. The State Department of Human Resources Development has the fiduciary responsibility of administering the plan. Deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Litigation

In November 1994, the Office of Hawaiian Affairs (OHA) filed a claim against the Corporation seeking declaratory and injunctive relief and for monetary damages pursuant to Sections 632-1 and 66-1 of the Hawaii Revised Statutes. The claim relates to certain ceded lands located in Lahaina, Maui. OHA seeks the following relief: (1) barring the Corporation from conveying and alienating the subject land from the public land trust and (2) finding any conveyance to a third party not an agency of the State or its political subdivision in violation of the Hawaii State Constitution.

In its claim, OHA also alleges that the Corporation is in violation of the Hawaii Revised Statutes Section 10-3.6 and Act 318, SLH 1992. In 1992, the Legislature enacted Act 318, which sets forth a plan to compensate OHA for land from the public land trust which was to be conveyed from the State Department of Land and Natural Resources (DLNR) to the Corporation for housing developments. Under Act 318, OHA is to be compensated 20% of the fair market value of ceded lands. OHA maintains that the fair market value of the Lahaina ceded lands was determined in May 1994. In November 1994, the ceded lands were conveyed from DLNR to the Corporation and a check for 20% of the fair market value of the property in the amount of \$5,573,604 was presented to OHA. OHA claims that a timely appraisal was not performed, 90 days before the date of conveyance, and that the conveyance of the Lahaina property was illegal. The payment was rejected by OHA and a liability remains outstanding as of June 30, 2001. In the event that OHA is not granted the injunctive and declaratory relief it seeks, OHA requests for a timely re-appraisal of the fair market value of the Lahaina ceded lands and payment in accordance with Act 318. The Corporation maintains that the fair market value was determined in August 1994 and therefore complies with the requirements of Act 318.

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Litigation (continued)

In November 1994, several individuals filed a claim similar to the OHA claim against DLNR and the Corporation seeking to enjoin the sale or transfer of certain ceded lands located in Lahaina, Maui, from the State to private individuals or entities. The claim alleges that the State does not have good marketable title of the ceded lands and any such sale or transfer would constitute an illegal conversion of lands. The plaintiffs seek an injunctive relief barring the Corporation from sale or transfer of the Lahaina ceded lands.

In response to the above claims, the State Department of Attorney General issued, in July 1995, its opinion as to whether the State has legal authority to sell or dispose of ceded lands. The Attorney General concluded that the State has been and remains empowered to sell trust lands subject to the terms of the trust.

The above claims have resulted in delays in the Leiali'i and La'i'opua Master Planned Community projects. The Corporation is presently evaluating alternatives and remains optimistic and committed to these projects. The Corporation will continue to work with innovation and creativity to resolve these concerns fairly, while still delivering quality houses in quality communities. The ultimate outcome of these claims cannot presently be determined. Accordingly, no provision for any liability nor its effect on the projects' net realizable value, if any that may result upon adjudication has been made in the accompanying statement of net assets.

In 1994, an action was filed by OHA against the State and various unnamed parties claiming the State's alleged failure to properly account for and pay to OHA monies due to OHA, under Article XII of the Hawaii State Constitution and Chapter 10 of the Hawaii Revised Statutes, for occupation by the State on certain ceded lands, as more fully described below.

It has been alleged but without certainty that payments received by the Corporation for all projects developed on ceded lands are subject to the above claim. However, the ultimate outcome of the litigation and its effect on the Corporation, if any, cannot presently be determined. Accordingly, no provision for any liability, if any, that may result from the resolution of this matter has been made in the statement of net assets.

Ceded Lands

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit)

The lands transferred to the United States by the Republic of Hawaii at Hawaii's annexation to the United States in 1898 are commonly referred to as the ceded lands. Upon Hawaii's admission to the

State of Hawaii  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Ceded Lands (continued)

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit) (continued)

Union in 1959, title to ceded lands still held by the United States and to lands, which the United States acquired, by exchange for ceded lands after 1898 was conveyed by the United States to the State of Hawaii. Section 5 of the Admission Act expressly provided that those lands were to be held by the State as a public trust. Certain rental housing projects of the Corporation are situated on parcels of land, which are to be held by the State as a public trust under Section 5.

In 1978, the State Constitution was amended to expressly specify that the lands conveyed to the State as a public trust by the Admission Act were to be held by the State as a public trust for native Hawaiians and the general public, and to establish the Office of Hawaiian Affairs (OHA) to administer and manage the proceeds and income derived from the pro rata portion of the lands held by the State for the betterment of native Hawaiians.

On January 14, 1994, OHA filed suit against the State alleging that the State failed to properly account for and fully pay the pro rata share of proceeds and income derived from the lands of public trust established by the Admission Act and the 1978 amendments to the State Constitution. OHA seeks an accounting of all proceeds and income, funds and revenues derived from the lands since 1978, and restitution or damages amounting to 20% of the proceeds and income derived from (a) the lands since November 7, 1978, (b) the lands since June 16, 1980, and (c) the lands under Act 304, Session Laws of Hawaii 1990, as well as interest thereon. The State has denied all of OHA's substantive allegations, and asserted its sovereign immunity from suit and other jurisdictional and claim-barring defenses.

In May 1996, OHA filed four motions for partial summary judgment as to the State's liability to pay OHA 20% of monies from four specific sources, including rental housing projects of the Corporation situated on public trust lands. The State opposed those four motions. The State also filed a motion to dismiss on sovereign immunity grounds.

On October 24, 1996, the Circuit Court of the First Circuit of the State of Hawaii (First Circuit Court) denied the State's motion to dismiss and granted OHA's four motions for partial summary judgment. The State has filed an interlocutory appeal to the Hawaii Supreme Court from both orders. All other proceedings, including the trial previously scheduled to begin on November 18, 1996, have been stayed pending the Hawaii Supreme Court's disposition of the appeal.

OHA's complaint and motions do not specify the State's alleged failures, nor do they state the dollar amount of the claims. The First Circuit Court's October 24, 1996 order granting OHA's motions for partial summary judgment did not determine the amounts owing. The basis and methodology for

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Ceded Lands (continued)

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit) (continued)

calculating any such amount are being disputed. OHA has not provided complete information for its claims for the period from 1981 through 1991, and has provided no information as to its claims for the period from 1991 to the present. The expert witness retained by OHA in this case has estimated that the State's potential liability for the four sources specified in OHA's summary judgment motions for the years 1981 through 1991 (but not thereafter) to be not less than \$178,000,000, of which approximately \$9,200,000 is related to gross rental income derived by the Corporation.

On June 30, 1997, the Governor approved Act 329, Session Laws of Hawaii, 1997. The purpose of this Act was to achieve a comprehensive, just and lasting resolution of all controversies relating to the proper management and disposition of the lands subject to public trust, and of the proceeds and income, which the lands generate. The Act also fixes the amount of proceeds and income OHA will receive during the two-year period at \$15.1 million per year, and requires the completion, continued maintenance, and use of a comprehensive inventory of the public trust lands.

OHA et al. v. HHA et al., Civil No. 95-2682-07 (First Circuit)

On July 27, 1995, OHA filed another suit against the Authority and the State Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of ceded lands, which were transferred to the Authority for rental housing projects. The trial date has been set for November 5, 2001

The State's potential liability, if any, therefore, may be determined either (1) by the ruling by the Hawaii Supreme Court on the State's interlocutory appeal and, if such ruling is adverse to the State, the conclusion of any subsequent trial and related appeals, or (2) by legislation enacted as a result of the process set out in Act 329. Given all of the above, and the uncertain timing of any final disposition of the case, the State is not able to predict either the ultimate outcome of the case, or the magnitude of its potential liability, if any, with any reasonable certainty. A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the State's financial condition.

A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the Corporation's financial condition if an adverse resolution or decision against the State includes liability for gross rental income derived by the Corporation from rental housing projects situated on lands in the public trust and the liability is imposed upon the Corporation. However, the ultimate outcome of the litigation and its effect to the Corporation, if any, cannot be determined. Accordingly, no estimate of loss has been made in the accompanying statement of net assets of the Corporation.

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

HUD Examination

In September 2002, HUD conducted a limited review of the Corporation's policies and procedures over procurement and contracting and the obligation and expenditure of Comprehensive Grant and Capital Fund Program funds. Based on the results of this limited review HUD found several findings in these areas. The findings include the improper procurement of a construction contract totaling approximately \$771,000 to a construction company for repairs and maintenance of a housing project operated by the Corporation.

In connection with this review, in September 2002, HUD issued a Corrective Action Order (CAO) for the Corporation. The CAO requires that the Corporation contract an independent consultant to perform an assessment to identify improvements in its operations as well as requires additional documentation be provided to HUD prior to execution of certain contracts and contract modifications. The Corporation's failure to comply with the terms of the CAO may result in further sanctions against the Corporation and other remedies as provided by law.

The Corporation is currently responding to the HUD findings and management believes that the ultimate resolution of this matter will not have a substantial impact upon the Corporation's financial condition or results of operations. In the event the Corporation is unsuccessful at resolving this matter, the result could have a material impact upon the Corporation's financial condition or results of operations.

NOTE N – RETIREMENT PLAN

Employees' Retirement System

Plan Description

All eligible employees of the State and Counties are required by Chapter 88 of the Hawaii Revised Statutes to become members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits. The ERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for ERS. That report may be obtained from them.

The ERS consists of a contributory plan and a noncontributory plan. Employees covered by Social Security on June 30, 1984 were given the option of joining the noncontributory plan or remaining in the contributory plan. All new employees hired after June 30, 1984, who are covered by Social Security, are generally required to join the noncontributory plan. Both plans provide a monthly retirement allowance

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE N – RETIREMENT PLAN (continued)

Employees' Retirement System (continued)

Plan Description (continued)

based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service excluding the vacation payment. All benefits vest after five and ten years of credited service for the contributory and noncontributory plans, respectively. All contributions, benefits and eligibility requirements are governed by Chapter 88.

Funding Policy

Most covered employees of the contributory plan are required to contribute 7.8% of their salary. Police officers, firefighters, investigators of the department of the prosecuting attorney and the attorney general, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2% of their salary. The actuarial cost or funding method used to calculate the total employer contribution requirement was changed by Act 327 of the Regular Session of the 1997 Legislature to the Entry Age Normal Actuarial Cost Method. Under this method, employer contributions to the ERS are comprised of normal cost plus level annual payments required to liquidate the unfunded actuarial accrued liability over the remaining period of 18 years from July 1, 1998.

There were no employer contributions for the year ended June 30, 2002.

NOTE O – POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits to all employees hired prior to July 1, 1996 who retire from State employment on or after attaining age 62 with at least ten years of service or age 55 with at least thirty years of service under the noncontributory plan and age 55 with at least five years of service under the contributory plan. Retirees credited with at least ten years of service excluding sick leave credit qualify for free medical insurance premiums; however, retirees with less than ten years must assume a portion of the monthly premiums. All service-connected disability retirees who retired after June 30, 1984, with less than ten years of service also qualify for free medical insurance premiums. Free life insurance coverage for retirees and free dental coverage for dependents under age 19 are also available. Retirees covered by the medical portion of Medicare are eligible to receive a reimbursement of a portion of the basic medical coverage premiums.



State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE O – POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (continued)

For employees hired after July 1, 1996 and retire with fewer than twenty-five years of service, the State shall pay to a fund a monthly contribution equal to one-half of the retired employee's monthly Medicare or non-Medicare premium for certain medical benefits for retired employees with ten or more years of service; and seventy-five percent of the retired employee's monthly Medicare or non-Medicare premium for retired employees with at least fifteen but fewer than twenty-five years of service.

Contributions are based upon negotiated collective bargaining agreements, and are funded by the Corporation as accrued.

The Corporation's general fund share of the post-retirement benefits expense for the year ended June 30, 2001 has not been separately computed and is not reflected in the Corporation's financial statements. The Corporation's enterprise funds' and special revenue funds' share of the post-retirement health care and life insurance benefits expense for the year ended June 30, 2002 approximated \$634,000 and is included in the financial statements.

NOTE P – RELATED PARTY TRANSACTIONS

In accordance with Act 95, SLH 1996, the Corporation transferred certain parcels of land located within the Villages of La'io'pua on the island of Hawaii, and Kapolei on the island of Oahu to the State Department of Hawaiian Home Lands (DHHL). The properties were conveyed in 1997 and approximately \$8,175,000 of allocated costs were charged against contributed capital. Any estimated future costs of these parcels will be recognized as contributions returned to the State of Hawaii when costs are incurred. During 2002, approximately \$2,998 of costs were incurred on these parcels. During 2002, the Corporation revised its revenue estimates of the Kapolei project. Changes in those estimates resulted in the reallocation of development costs that resulted in a \$116,440 adjustment to the Kapolei parcel. The estimated allocated project costs and allocated costs allocated costs incurred of these parcels of land located in La'io'pua and Kapolei as of June 30, 2002 are approximately as follows:

	Allocated project cost	Allocated costs incurred to date
La'io'pua	\$ 8,983,000	\$ 1,830,000
Kapolei	16,910,000	9,986,500
	<u>\$25,893,000</u>	<u>\$11,816,500</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE P – RELATED PARTY TRANSACTIONS (continued)

During 2000, the Corporation and DHHL entered into an agreement to transfer the Village 4 parcel property and improvements located in the La'io'pua development for approximately \$1,816,100. The property was conveyed in 2001. The Corporation recognized approximately \$157,000 of losses of allocated cost incurred to date. Given the current uncertainties surrounding the development (note M), the estimated costs of the development costs cannot be reasonably estimated. Any estimated future development cost will be recognized as costs of land sold when costs are incurred. During 2002, the Corporation recognized approximately \$3,200 of costs of land sold.

During 2002, the Corporation's Dwelling Unit Revolving Fund funded approximately \$846,000 of development costs for the Villages of Kapolei.

The Rental Assistance Fund and Section 8 Existing and Housing Voucher Programs provide rent subsidies to certain lessees of the Corporation's various projects. Total rent subsidies provided to lessees of the Corporation's various projects approximated \$1,301,000 and \$434,000, respectively, during the year ended June 30, 2002. These amounts have been recorded by the Corporation as rental income in the Rental Housing System Revenue Bond Fund (RHS), SHARP, Banyan Street Manor Project, Wilikina Apartments Project, and Kekumu at Waikoloa Project. In addition, the Corporation relocated its offices to the Pohulani building in September 1992, which is owned by the RHS. During the year ended June 30, 2002, the RHS recorded rental income of approximately \$836,000, which was allocated as office rental expense to various funds of the Corporation. In addition, the State Department of Accounting and General Services (DAGS) incurred \$881,000 in rent to the RHS for leased space in the Pohulani building. The term of the lease with DAGS is from September 1992 through August 2022. The minimum annual rental is determined by multiplying the previous year's minimum annual rent by one hundred three percent (103%). The minimum annual rent for the initial year was approximately \$493,000.

The contributed capital of the Dwelling Unit Revolving Fund was funded with proceeds of \$125,000,000 of State general obligation bonds, for which the principal payments are being funded by the State of Hawaii General Fund. These bonds are the State's general obligation and are not included in the statement of net assets. The Dwelling Unit Revolving Fund, however, is required to reimburse the State of Hawaii General Fund for the interest portion of the debt service, at rates ranging from 3.85% to 5.50%. Interest cost incurred for the year ended June 30, 2002 was approximately \$22,300.

The annual interest requirements for the general obligation bonds as of June 30 2002 are as follows:

Year ending June 30, 2003	\$13,487
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State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE Q – SEGMENT INFORMATION

In addition to the revenue bond funds reported as major proprietary funds, the Corporation has also issued revenue bonds to finance multifamily rental housing projects and provide interim and /or permanent financing for the construction or rehabilitation of affordable rental housing projects. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment.

Condensed Statement of Net Assets  
(\$ in thousands)

	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund
Assets:				
Cash	\$ —	\$ 1,104	\$ 539	\$ 285
Investment in financing lease	—	—	—	18,160
Receivables	3,580	1,074	233	23
Assets held by trustees	31,825	26,866	18,335	—
Capital assets, net	—	59,623	40,464	—
Other assets	—	792	464	357
Total assets	<u>\$ 35,405</u>	<u>\$ 89,459</u>	<u>\$60,035</u>	<u>\$18,825</u>
Liabilities:				
Bonds payable	\$ 34,275	\$ 93,075	\$37,335	\$16,150
Note payable	—	—	3,500	—
Other liabilities	583	1,709	855	226
Total liabilities	<u>34,858</u>	<u>94,784</u>	<u>41,690</u>	<u>16,376</u>
Net assets:				
Invested in capital assets, net of related debt	—	(32,675)	89	—
Restricted	31,825	26,866	18,335	—
Unrestricted	<u>(31,278)</u>	<u>484</u>	<u>(79)</u>	<u>2,449</u>
Total net assets	<u>547</u>	<u>(5,325)</u>	<u>18,345</u>	<u>2,449</u>
Total liabilities and net assets	<u>\$ 35,405</u>	<u>\$ 89,459</u>	<u>\$60,035</u>	<u>\$18,825</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE Q—SEGMENT INFORMATION (continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets  
(\$ in thousands)

	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund
Revenues				
Interest	\$ 139	\$ —	\$ —	\$ 845
Rental	—	9,074	3,392	—
Other	118	396	180	—
Total revenues	257	9,470	3,572	845
Expenses				
Project	—	3,408	1,017	—
Depreciation	—	3,332	1,564	—
Interest	1,876	—	—	—
Other operating expenses	252	197	194	5
Total expenses	2,128	6,937	2,775	5
Operating (loss) income	(1,871)	2,533	797	840
Nonoperating income (expenses)				
Interest income	1,863	530	382	—
Net increase (decrease) in fair value of investments	2,142	—	—	—
Interest expense	—	(3,139)	(1,021)	(904)
Other	(5)	(554)	(220)	22
Total nonoperating income (expenses)	4,000	(3,163)	(859)	(882)
Change in net assets	2,129	(630)	(62)	(42)
Net assets at July 1, 2001	(1,582)	(4,695)	18,407	2,491
Net assets at June 30, 2002	<u>\$ 547</u>	<u>\$ (5,325)</u>	<u>\$ 18,345</u>	<u>\$ 2,449</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE Q—SEGMENT INFORMATION (continued)

Condensed Statement of Cash Flows  
(\$ in thousands)

	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund
Net cash (used in) provided by:				
Operating activities	\$(5,438)	\$ 5,560	\$ 2,205	\$ 1,279
Capital and related financing activities	3,137	(4,385)	(1,160)	(1,237)
Investing activities	1,478	523	423	—
Net (decrease) increase in cash and cash equivalents	(823)	1,698	1,468	42
Cash and cash equivalents at July 1, 2001	825	17,504	14,388	243
Cash and cash equivalents at June 30, 2002	\$ 2	\$19,202	\$15,856	\$ 285

NOTE R – INTERFUND RECEIVABLES AND PAYABLES

The balance of \$27,583,584, due to the Dwelling Unit Revolving Fund from the Homes Revolving Fund, represents development costs for the Villages of Kapolei that were funded by the Dwelling Unit Revolving Fund. Amounts are not scheduled to be collected in the subsequent year.

All other balances are due to interfund goods or services provided or reimbursable expenditures and payments between funds.

The composition of interfund balances as of June 30, 2002 is as follows:

Due from	Due to		
	Non-major Proprietary	Federal Low Rent Program	Dwelling Unit Revolving Fund
General Fund	\$ 7,297	\$ —	\$ —
Housing Voucher	122,012	—	988
Capital Projects	—	1,132	30,717
Section 8 Contract Administration	14,291	—	—
Homes Revolving Fund	—	—	27,583,584
Single Family Mortgage Purchase Revenue Bond Fund	52,046	—	—
Federal Low Rent Program	—	—	15,074
Nonmajor – Proprietary Funds	—	2,184,910	415,000

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE S – BEGINNING FUND BALANCE/NET ASSETS ADJUSTMENTS

The following reconciles the June 30, 2001 fund balance/net assets, as previously reported, to the beginning fund balance/net assets, as restated, to include adoption of new pronouncements.

	June 30, 2001, as previously reported	Fund reclassification	Prior-period adjustment	June 30, 2001, as restated
Governmental funds and activities:				
Major funds				
General fund	\$ 250,403	\$ —	\$ —	\$ 250,403
Capital projects fund	5,697,400	—	—	5,697,400
Previously reported as special revenue fund				
Housing Voucher Program	1,218,270	—	—	1,218,270
Section 8 Contract Administration	192,500	—	—	192,500
Nonmajor funds				
Special revenue funds	4,591,294	—	—	4,591,294
Total governmental funds	11,949,867	—	—	11,949,867
Adoption of GASB Statements:				
Capital assets, net of accumulated depreciation	—	33,291,994	(5,631,348)	27,660,646
Accrued vacation	—	—	(307,629)	(307,629)
Total governmental funds and activities	11,949,867	33,291,994	(5,938,977)	39,302,884
Proprietary funds and business-type activities:				
Major funds				
Federal Low Rent Program	—	187,788,664	—	187,788,664
Dwelling Unit Revolving Fund	—	152,903,693	—	152,903,693
Homes Revolving Fund	—	41,208,900	—	41,208,900
Single Family Mortgage Purchase Revenue Bond Fund	—	11,093,463	—	11,093,463
Nonmajor proprietary	610,460,388	(392,994,720)	—	217,465,668
Internal Service Fund	1,380,070	—	—	1,380,070
Total proprietary funds and business-type activities	611,840,458	—	—	611,840,458
Fiduciary funds:				
Previously reported as expendable trust funds	2,073,745	(2,073,745)	—	—
Special Purpose Trust	—	2,073,745	—	2,073,745
Total fiduciary funds	2,073,745	—	—	2,073,745
Account groups:				
General fixed assets	33,291,994	(33,291,994)	—	—
General long-term obligation	—	—	—	—
Total account groups	33,291,994	(33,291,994)	—	—
TOTAL	\$659,156,064	\$ —	\$ (5,938,977)	\$653,217,087

State of Hawaii  
Housing and Community Development Corporation of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002

NOTE T – SUBSEQUENT EVENTS

On July 1, 2002, the Corporation redeemed certain outstanding revenue bonds totaling \$17,700,000, of which \$8,790,000 were early redemptions.

Act 178, SLH 2002, provides for the transfer of \$25,747,457 from the Corporation's various funds to the State of Hawaii General Fund. On July 1, 2002, the Corporation transferred \$25,747,457 to the State of Hawaii General Fund.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS



State of Hawaii  
Housing and Community Development Corporation of Hawaii

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2002

		General Fund		
		Original budget	Final budget	Actual
Revenues				
State allotted appropriations		\$ 7,915,031	\$ 7,954,882	\$ 7,172,920
		<u>7,915,031</u>	<u>7,954,882</u>	<u>7,172,920</u>
Expenditures				
Homeless service and assistance program		1,107,337	1,107,337	1,107,337
Rental housing and assistance program		6,807,694	6,847,545	6,065,583
		<u>7,915,031</u>	<u>7,954,882</u>	<u>7,172,920</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		Housing Voucher Program		
		Original budget	Final budget	Actual
Revenues				
HUD contributions		\$ 25,343,291	\$ 25,427,092	\$ 20,894,659
		<u>25,343,291</u>	<u>25,427,092</u>	<u>20,894,659</u>
Expenditures				
Rental housing and assistance program		25,343,291	25,427,092	20,808,574
		<u>25,343,291</u>	<u>25,427,092</u>	<u>20,808,574</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,085</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
MAJOR GOVERNMENTAL FUNDS (continued)

Year ended June 30, 2002

Section 8 Contract Administration			
	Original budget	Final budget	Actual
Revenues			
HUD contributions	\$ 18,896,781	\$ 18,896,781	\$ 10,506,585
	<u>18,896,781</u>	<u>18,896,781</u>	<u>10,506,585</u>
Expenditures			
Rental housing and assistance program	18,896,781	18,896,781	10,145,963
	<u>18,896,781</u>	<u>18,896,781</u>	<u>10,145,963</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,622</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2002

	<u>General Fund</u>	<u>Housing Voucher Program</u>	<u>Section 8 Contract Administration</u>
Excess of revenues over expenditures and other sources and uses - actual on budgetary basis	\$ -	\$ 86,085	\$ 360,632
Reserve for encumbrances at year end*	433,013	-	-
Expenditures for liquidation of prior year's encumbrances	(292,770)	-	-
Reversion of prior year's allotments	(48,005)	-	-
Accrual adjustments and other	<u>69,042</u>	<u>108,700</u>	<u>38,030</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES - US GAAP BASIS	<u>\$ 161,280</u>	<u>\$ 194,785</u>	<u>\$ 398,662</u>

\*Amount reflects the encumbrance balance included in continuing appropriations.

## SUPPLEMENTARY INFORMATION

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2002

ASSETS	Section 8						Total
	New Construction Haili	New Construction	Drug Elimination Program	Shelter Plus Care	HOPWA Program	Other	
Current Assets							
Cash	\$ 20,823	\$ 458,317	\$ 20	\$ 5	\$ 4	\$ 10	\$ 479,179
Investments	-	1,700,000	-	-	-	-	1,700,000
Accrued interest receivable	-	8,742	-	-	-	-	8,742
Due from other funds	-	22,000	-	-	-	180	22,180
Due from HUD	-	153,388	180,844	-	6,084	86,510	426,826
	<u>-</u>	<u>153,388</u>	<u>180,844</u>	<u>-</u>	<u>6,084</u>	<u>86,510</u>	<u>426,826</u>
TOTAL ASSETS	<u>\$ 20,823</u>	<u>\$ 2,342,447</u>	<u>\$ 180,864</u>	<u>\$ 5</u>	<u>\$ 6,088</u>	<u>\$ 86,700</u>	<u>\$ 2,636,927</u>
LIABILITIES AND FUND BALANCES							
Current Liabilities							
Accounts payable	\$ -	\$ -	\$ 172,847	\$ -	\$ 5,904	\$ 86,552	\$ 265,303
Due to other funds	17,521	10,009	7,997	-	180	138	35,845
Due to HUD	3,219	31,088	20	5	4	10	34,346
	<u>3,219</u>	<u>31,088</u>	<u>20</u>	<u>5</u>	<u>4</u>	<u>10</u>	<u>34,346</u>
Total current liabilities	20,740	41,097	180,864	5	6,088	86,700	335,494
Fund balances							
Unreserved	83	2,301,350	-	-	-	-	2,301,433
Total fund balances	<u>83</u>	<u>2,301,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,301,433</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,823</u>	<u>\$ 2,342,447</u>	<u>\$ 180,864</u>	<u>\$ 5</u>	<u>\$ 6,088</u>	<u>\$ 86,700</u>	<u>\$ 2,636,927</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2002

	Section 8						Total
	New Construction Haili	New Construction	Drug Elimination Program	Shelter Plus Care	HOPWA Program	Other	
Revenue							
Intergovernmental – HUD annual contributions and others	\$ 297,339	\$ 3,211,784	\$ 1,283,994	\$ 267,692	\$ 143,218	\$ 627,999	\$ 5,832,026
State allotted appropriations	-	-	-	-	-	998,231	998,231
Interest	375	39,682	-	-	-	-	40,057
Total revenues	297,714	3,251,466	1,283,994	267,692	143,218	1,626,230	6,870,314
Expenditures							
Current							
Housing assistance payments	283,064	3,086,057	-	-	-	-	3,369,121
Personal services	8,748	107,024	45,817	-	-	-	161,589
Administration	2,321	14,081	1,223,503	267,692	135,968	615,424	2,258,989
Professional services	2,873	14,737	11,779	-	-	4,935	34,324
Security	22	95	-	-	-	-	117
Repairs and maintenance	440	2,038	530	-	-	-	3,008
Insurance	521	5,213	2,069	-	-	-	7,803
Grant expenses	-	-	-	-	-	998,231	998,231
Other	211	730	296	-	-	4,997	6,234
Capital outlays	-	-	-	-	7,250	2,643	9,893
Total expenditures	298,200	3,229,975	1,283,994	267,692	143,218	1,626,230	6,849,309
NET CHANGE IN FUND BALANCES	(486)	21,491	-	-	-	-	21,005
Fund balance at July 1, 2001	569	2,279,859	-	-	-	-	2,280,428
Fund balance at June 30, 2002	\$ 83	\$ 2,301,350	\$ -	\$ -	\$ -	\$ -	\$ 2,301,433

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – NONMAJOR ENTERPRISE FUNDS

June 30, 2002

ASSETS	Revenue <u>Bond Funds</u>	Other Funds	Miscellaneous <u>Funds</u>
Current assets			
Cash	\$ 1,927,975	\$ 3,895,012	\$ 61,168,678
Investments	-	70,000	1,491,945
Receivables			
Mortgage loans	1,627,326	-	567,131
Notes and loans	-	-	884,083
Accrued interest	226,949	42,267	1,786,942
Tenant receivables, less allowance for doubtful accounts	649,059	157,099	-
Other	639,564	49,996	39,083
	<u>3,142,898</u>	<u>249,362</u>	<u>3,277,239</u>
Due from other funds	-	754,382	3,585,010
Due from State of Hawaii	-	-	2,972
Due from HUD	-	26,389	-
Inventories			
Materials and supplies	-	42,127	84,981
Net investment in financing lease	420,538	-	-
Prepaid expenses and other assets	18,383	105,450	258,249
Deposits held in trust	-	89,054	6,867
Deferred bond discount and issuance costs	107,925	-	-
	<u>5,617,719</u>	<u>5,231,776</u>	<u>69,875,941</u>
Total current assets			
Assets held by trustees under Revenue Bond Programs			
Cash	75,259	-	-
Investments	76,951,048	-	-
	<u>77,026,307</u>	<u>-</u>	<u>-</u>
Investments	-	-	12,339,406
Mortgage loans, net of current portion	1,767,893	-	42,908,676
Notes and loans	-	426,100	-
Other receivables	-	327,072	527,157
Advances to other funds	-	325,000	-
Restricted deposits and funded reserves	-	6,728,530	-
Net investment in financing lease, net of current portion	17,739,508	-	-
Deferred bond discount and issuance costs, net of current portion	1,485,722	-	-
Capital assets, less accumulated depreciation	100,086,462	80,345,447	-
	<u>\$ 203,723,611</u>	<u>\$ 93,383,925</u>	<u>\$ 125,651,180</u>
TOTAL ASSETS			

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – NONMAJOR ENTERPRISE FUNDS

June 30, 2002

LIABILITIES AND FUND NET ASSETS	Revenue Bond Funds	Other Funds	Miscellaneous Funds	Total
Current liabilities				
Accounts payable	\$ 678,284	\$ 60,459	\$ 9,390	\$ 748,133
Accrued expenses				
Interest	1,705,498	69,735	-	1,775,233
Other	62,240	474,263	176,340	712,843
Due to other funds	(118,228)	1,162,378	5,964,401	7,008,551
Due to State of Hawaii, including Office of Hawaiian Affairs	-	-	25,000	25,000
Due to HUD	-	4,313	-	4,313
Security deposits	841,194	268,776	357,267	1,467,237
Mortgage payable	-	99,571	-	99,571
Revenue bonds payable, less deferred refunding cost	3,847,326	-	-	3,847,326
Deferred income	-	1,846	-	1,846
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	7,016,314	2,141,341	6,532,398	15,690,053
Arbitrage rebate payable	203,756	-	-	203,756
Note payable, net of current portion	3,500,000	171,327	-	3,671,327
Mortgage payable, net of current portion	-	6,559,951	-	6,559,951
Revenue bonds payable, less deferred refunding cost, net of current portion	176,987,893	-	-	176,987,893
Net assets				
Invested in capital assets, net of related debt	(32,586,843)	73,514,598	-	40,927,755
Restricted by legislation and contractual agreements	77,026,307	6,728,530	348,395	84,103,232
Unrestricted	(28,423,816)	4,268,178	118,770,387	94,614,749
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Total net assets	16,015,648	84,511,306	119,118,782	219,645,736
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 203,723,611	\$ 93,383,925	\$ 125,651,180	\$ 422,758,716
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State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF REVENUES AND EXPENSES – NONMAJOR ENTERPRISE FUNDS

Year ended June 30, 2002

	Revenue Bond Funds	Other Funds	Miscellaneous Funds	Total
Operating revenues				
Interest on mortgages, notes, loans and mortgage-backed securities	\$ 983,747	\$ -	\$ 1,644,086	\$ 2,627,833
Rental	12,465,736	5,149,615	-	17,615,351
Conveyance tax	-	-	2,517,016	2,517,016
Other	694,149	174,896	1,468,507	2,337,552
Total operating revenues	14,143,632	5,324,511	5,629,609	25,097,752
Operating expenses				
Project	4,425,017	-	1,093,625	5,518,642
Personal services	200,675	1,658,120	524,161	2,382,956
Depreciation	4,895,475	2,584,494	522	7,480,491
Housing assistance payments	-	-	2,188,622	2,188,622
Administration	61,469	599,952	192,769	854,190
Provision for losses	67,175	183,617	92,918	343,710
Professional services	44,481	144,562	63,250	252,293
Mortgage insurance	-	6,232	-	6,232
Security	116	48,973	77	49,166
Insurance	17,912	33,006	21,371	72,289
Repairs and maintenance	7,667	1,220,316	10,084	1,238,067
Utilities	3,145	1,243,459	-	1,246,604
Capital expenditures	111,839	151,965	-	263,804
Interest expense	1,876,339	-	-	1,876,339
Other	132,565	22,751	197,236	352,552
Total operating expenses	11,843,875	7,897,447	4,384,635	24,125,957
Operating income (loss)	2,299,757	(2,572,936)	1,244,974	971,795
Nonoperating revenues (expenses)				
Interest income - investments	2,775,384	371,667	3,049,287	6,196,338
Net increase in fair value of investments	2,141,779	-	582,483	2,724,262
Interest expense	(5,063,325)	(199,657)	(7,221)	(5,270,203)
Letter of credit fees	(530,766)	-	-	(530,766)
Trustee fees	(238,937)	-	-	(238,937)
Amortization of deferred bond issuance costs	(109,654)	-	-	(109,654)
Loss on disposal of property and equipment	(1,675)	(2,745,394)	-	(2,747,069)
Contributions returned to the State of Hawaii	-	-	(13,582)	(13,582)
Other revenues	122,453	-	606,621	729,074
Total nonoperating revenues (expenses)	(904,741)	(2,573,384)	4,217,588	739,463
Operating income (loss) before operating transfers	1,395,016	(5,146,320)	5,462,562	1,711,258
Operating transfers in	-	468,810	-	468,810
CHANGE IN NET ASSETS	\$ 1,395,016	\$ (4,677,510)	\$ 5,462,562	\$ 2,180,068

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CHANGES IN FUND NET ASSETS – NONMAJOR ENTERPRISE FUNDS

Year ended June 30, 2002

	<u>Revenue Bond Funds</u>	<u>Other Funds</u>	<u>Miscellaneous Funds</u>	<u>Total</u>
Net assets at July 1, 2001	\$ 14,620,632	\$ 89,188,816	\$ 113,656,220	\$ 217,465,668
Change in net assets	<u>1,395,016</u>	<u>(4,677,510)</u>	<u>5,462,562</u>	<u>2,180,068</u>
Net assets at June 30, 2002	<u><u>\$ 16,015,648</u></u>	<u><u>\$ 84,511,306</u></u>	<u><u>\$ 119,118,782</u></u>	<u><u>\$ 219,645,736</u></u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS

Year ended June 30, 2002

	Revenue Bond Funds	Other Funds	Miscellaneous Funds	Total
Cash flows from operating activities:				
Cash received from renters	\$ 12,427,867	\$ 4,982,954	\$ -	\$ 17,410,821
Cash received from borrowers				
Principal repayments	9,781	-	6,349,418	6,359,199
Interest income	148,929	-	2,199,541	2,348,470
Cash received from net investment in financing lease	1,237,440	-	-	1,237,440
Cash received for conveyance taxes	-	-	2,517,016	2,517,016
Cash payments for loan originations	(3,405,000)	-	(7,237,893)	(10,642,893)
Cash payments for interest	(2,095,226)	-	-	(2,095,226)
Cash payments to employees	(200,675)	(1,658,120)	(524,161)	(2,382,956)
Cash payments to suppliers	(5,419,667)	(3,516,848)	(3,786,097)	(12,722,612)
Cash (payments to) received from other funds	(63,666)	411,096	(605,232)	(257,802)
Other cash receipts (payments)	965,347	138,293	1,465,277	2,568,917
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	3,605,130	357,375	377,869	4,340,374
Cash flows from noncapital financing activities:				
Interest paid to the Department of Budget and Finance	-	(6,310)	(7,221)	(13,531)
Operating transfers in	-	468,810	-	468,810
Contributions returned to State of Hawaii and other	-	-	(13,582)	(13,582)
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Net cash provided by (used in) noncapital financing activities	-	462,500	(20,803)	441,697
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Subtotal carried forward	\$ 3,605,130	\$ 819,875	\$ 357,066	\$ 4,782,071

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS (continued)

Year ended June 30, 2002

	Revenue Bond Funds	Other Funds	Miscellaneous Funds	Total
Subtotal brought forward	\$ 3,605,130	\$ 819,875	\$ 357,066	\$ 4,782,071
Cash flows from capital and related financing activities:				
Proceeds from sale of revenue bonds	3,405,000	-	-	3,405,000
Principal paid on revenue bond maturities and redemptions	(1,912,781)	-	-	(1,912,781)
Interest paid on revenue bonds	(5,137,466)	-	-	(5,137,466)
Principal payments on mortgage loans	-	(93,511)	-	(93,511)
Payments of interest	-	(193,349)	-	(193,349)
Payments for acquisition of property and equipment	-	(115,166)	-	(115,166)
Net cash used in capital and related financing activities	(3,645,247)	(402,026)	-	(4,047,273)
Cash flows from investing activities:				
Purchases of investments	(37,143,676)	-	-	(37,143,676)
Proceeds from maturities of investments	36,758,236	-	5,342	36,763,578
Receipts of interest	2,810,044	376,990	3,457,602	6,644,636
Net increase in restricted deposits and funded reserves	-	(412,476)	-	(412,476)
Net cash provided by (used in) investing activities	2,424,604	(35,486)	3,462,944	5,852,062
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,384,487	382,363	3,820,010	6,586,860
Cash and cash equivalents at July 1, 2001	32,960,836	3,512,649	57,348,668	93,822,153
Cash and cash equivalents at June 30, 2002	<u>\$ 35,345,323</u>	<u>\$ 3,895,012</u>	<u>\$ 61,168,678</u>	<u>\$ 100,409,013</u>
Reconciliation of cash to cash and cash equivalents:				
Cash	\$ 2,003,234	\$ 3,895,012	\$ 61,168,678	\$ 67,066,924
Money market funds	33,342,089	-	-	33,342,089
Cash and cash equivalents at June 30, 2002	<u>\$ 35,345,323</u>	<u>\$ 3,895,012</u>	<u>\$ 61,168,678</u>	<u>\$ 100,409,013</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS (continued)

Year ended June 30, 2002

	Revenue Bond Funds	Other Funds	Miscellaneous Funds	Total
Cash flows from operating activities:				
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,299,757	\$ (2,572,936)	\$ 1,244,974	\$ 971,795
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	4,895,475	2,584,494	522	7,480,491
Provision for losses	67,175	183,617	92,918	343,710
Changes in assets and liabilities:				
Mortgage loan receivables	(3,395,219)	-	(4,404,822)	(7,800,041)
Notes and loans receivables	-	-	3,433,780	3,433,780
Accrued interest receivable on mortgages, notes and loans	-	-	552,225	552,225
Tenant receivables	(87,006)	(182,299)	-	(269,305)
Other receivables	271,198	(21,500)	98,494	348,192
Due from other funds	-	(23,225)	(547,014)	(570,239)
Due from State of Hawaii	-	-	3,527	3,527
Due from HUD	-	(14,571)	-	(14,571)
Inventories	-	52,652	37,813	90,465
Prepaid expenses and other assets	537	3,986	(77,919)	(73,396)
Net investment in lease financing	402,622	-	-	402,622
Deposits held in trust	-	1,418	1,879	3,297
Accounts payable	(629,318)	(5,955)	(5,383)	(640,656)
Accrued interest payable	(218,887)	-	-	(218,887)
Other accrued expenses	13,325	(94,646)	26,737	(54,584)
Due to other funds	(63,666)	434,321	(12,056)	358,599
Due to State of Hawaii, including Office of Hawaiian Affairs	-	-	(50,000)	(50,000)
Due to HUD	-	(1,736)	-	(1,736)
Security deposits	49,137	14,220	(17,806)	45,551
Deferred income	-	(465)	-	(465)
Net cash provided by operating activities	<u>\$ 3,605,130</u>	<u>\$ 357,375</u>	<u>\$ 377,869</u>	<u>\$ 4,340,374</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – NONMAJOR REVENUE BOND FUNDS

June 30, 2002

ASSETS	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund	Total
Current assets					
Cash	\$ -	\$ 1,104,348	\$ 538,726	\$ 284,901	\$ 1,927,975
Receivables					
Mortgage loans	1,627,326	-	-	-	1,627,326
Accrued interest	182,153	20,587	24,209	-	226,949
Tenant receivables, less allowance for doubtful accounts	-	595,361	53,698	-	649,059
Other	2,483	458,450	155,261	23,370	639,564
Net investment in financing lease	-	-	-	420,538	420,538
Prepaid expenses and other assets	-	14,357	4,026	-	18,383
Deferred bond discount and issuance costs	-	62,230	26,054	19,641	107,925
Total current assets	1,811,962	2,255,333	801,974	748,450	5,617,719
Assets held by trustees under Revenue Bond Programs					
Cash	2,346	72,913	-	-	75,259
Investments	31,822,933	26,793,139	18,334,976	-	76,951,048
Mortgage loans, net of current portion	1,767,893	-	-	-	1,767,893
Net investment in financing lease, net of current portion	-	-	-	17,739,508	17,739,508
Deferred bond discount and issuance costs, net of current portion	-	714,455	433,956	337,311	1,485,722
Capital assets, less accumulated depreciation	-	59,622,925	40,463,537	-	100,086,462
TOTAL ASSETS	<u>\$ 35,405,134</u>	<u>\$ 89,458,765</u>	<u>\$ 60,034,443</u>	<u>\$ 18,825,269</u>	<u>\$ 203,723,611</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ -	\$ 524,226	\$ 153,342	\$ 716	\$ 678,284
Accrued expenses					
Interest	734,130	503,397	242,947	225,024	1,705,498
Other	13,063	32,027	17,150	-	62,240
Due to other funds	(163,929)	43,553	1,684	464	(118,228)
Security deposits	-	582,075	259,119	-	841,194
Revenue bonds payable, less deferred refunding cost	1,922,326	1,335,000	245,000	345,000	3,847,326
Deferred income					-
Total current liabilities	2,505,590	3,020,278	919,242	571,204	7,016,314
Arbitrage rebate payable	-	23,456	180,300	-	203,756
Note payable, net of current portion	-	-	3,500,000	-	3,500,000
Revenue bonds payable, less deferred refunding cost, net of current portion	32,352,893	91,740,000	37,090,000	15,805,000	176,987,893
Net assets					
Invested in capital assets, net of related debt	-	(32,675,390)	88,547	-	(32,586,843)
Restricted by legislation and contractual agreements	31,825,279	26,866,052	18,334,976	-	77,026,307
Unrestricted	(31,278,628)	484,369	(78,622)	2,449,065	(28,423,816)
Total net assets	546,651	(5,324,969)	18,344,901	2,449,065	16,015,648
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,405,134</u>	<u>\$ 89,458,765</u>	<u>\$ 60,034,443</u>	<u>\$ 18,825,269</u>	<u>\$ 203,723,611</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF REVENUES AND EXPENSES – NONMAJOR REVENUE BOND FUNDS

Year ended June 30, 2002

	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund	Total
Operating revenues					
Interest on mortgages, notes, loans and mortgage-backed securities	\$ 138,966	\$ -	\$ -	\$ 844,781	\$ 983,747
Rental	-	9,073,899	3,391,837	-	12,465,736
Other	117,768	396,185	180,196	-	694,149
Total operating revenues	256,734	9,470,084	3,572,033	844,781	14,143,632
Operating expenses					
Project	-	3,407,766	1,017,251	-	4,425,017
Personal services	22,358	112,131	66,186	-	200,675
Depreciation	-	3,331,881	1,563,594	-	4,895,475
Administration	7,210	34,000	20,259	-	61,469
Provision for (recovery of) losses	135,591	(70,337)	1,921	-	67,175
Professional services	10,134	14,710	14,876	4,761	44,481
Security	6	65	45	-	116
Insurance	1,726	10,335	5,851	-	17,912
Repairs and maintenance	810	4,242	2,615	-	7,667
Utilities	-	1,771	1,374	-	3,145
Capital expenditures	-	80,947	30,892	-	111,839
Interest expense	1,876,339	-	-	-	1,876,339
Other	73,845	8,774	49,946	-	132,565
Total operating expenses	2,128,019	6,936,285	2,774,810	4,761	11,843,875
Operating (loss) income	(1,871,285)	2,533,799	797,223	840,020	2,299,757
Nonoperating revenues (expenses)					
Interest income - investments	1,863,488	529,971	381,925	-	2,775,384
Net increase in fair value of investments	2,141,779	-	-	-	2,141,779
Interest expense	-	(3,138,786)	(1,020,773)	(903,766)	(5,063,325)
Letter of credit fees	-	(375,007)	(155,759)	-	(530,766)
Trustee fees	(4,908)	(177,105)	(56,924)	-	(238,937)
Amortization of deferred bond issuance costs	-	(63,452)	(26,218)	(19,984)	(109,654)
Loss on disposal of property and equipment	-	(1,386)	(289)	-	(1,675)
Other revenues	-	61,563	18,848	42,042	122,453
Total nonoperating revenues (expenses)	4,000,359	(3,164,202)	(859,190)	(881,708)	(904,741)
CHANGE IN NET ASSETS	\$ 2,129,074	\$ (630,403)	\$ (61,967)	\$ (41,688)	\$ 1,395,016

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CHANGES IN FUND NET ASSETS –  
NONMAJOR REVENUE BOND FUNDS

Year ended June 30, 2002

	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund	Total
Net assets at July 1, 2001	\$ (1,582,423)	\$ (4,694,566)	\$ 18,406,868	\$ 2,490,753	\$ 14,620,632
Change in net assets	<u>2,129,074</u>	<u>(630,403)</u>	<u>(61,967)</u>	<u>(41,688)</u>	<u>1,395,016</u>
Net assets at June 30, 2002	<u>\$ 546,651</u>	<u>\$ (5,324,969)</u>	<u>\$ 18,344,901</u>	<u>\$ 2,449,065</u>	<u>\$ 16,015,648</u>



State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR REVENUE BOND FUNDS

Year ended June 30, 2002

	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund	Total
Cash flows from operating activities:					
Cash received from renters	\$ -	\$ 9,050,688	\$ 3,377,179	\$ -	\$ 12,427,867
Cash received from borrowers					
Principal repayments	9,781	-	-	-	9,781
Interest income	138,966	-	-	9,963	148,929
Cash received from net investment in financing lease	-	-	-	1,237,440	1,237,440
Cash payments for loan originations	(3,405,000)	-	-	-	(3,405,000)
Cash payments for interest	(2,095,226)	-	-	-	(2,095,226)
Cash payments to employees	(22,358)	(112,131)	(66,186)	-	(200,675)
Cash payments to suppliers	(102,564)	(3,997,724)	(1,308,793)	(10,586)	(5,419,667)
Cash (payments to) receipts from other funds	(77,115)	24,904	(11,919)	464	(63,666)
Other cash receipts	115,285	594,168	214,240	41,654	965,347
Net cash (used in) provided by operating activities	(5,438,231)	5,559,905	2,204,521	1,278,935	3,605,130
Cash flows from capital and related financing activities:					
Proceeds from sale of revenue bonds	3,405,000	-	-	-	3,405,000
Principal paid on revenue bond maturities and redemptions	(267,781)	(1,215,000)	(100,000)	(330,000)	(1,912,781)
Interest paid on revenue bonds	-	(3,169,567)	(1,060,461)	(907,438)	(5,137,466)
Net cash provided by (used in) capital and related financing activities	3,137,219	(4,384,567)	(1,160,461)	(1,237,438)	(3,645,247)
Cash flows from investing activities:					
Purchases of investments	(1,737,579)	(35,406,097)	-	-	(37,143,676)
Proceeds from maturities of investments	1,378,395	35,372,958	6,883	-	36,758,236
Receipts of interest	1,837,160	556,163	416,721	-	2,810,044
Net cash provided by investing activities	1,477,976	523,024	423,604	-	2,424,604
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(823,036)	1,698,362	1,467,664	41,497	2,384,487
Cash and cash equivalents at July 1, 2001	825,382	17,504,012	14,388,038	243,404	32,960,836
Cash and cash equivalents at June 30, 2002	<u>\$ 2,346</u>	<u>\$ 19,202,374</u>	<u>\$ 15,855,702</u>	<u>\$ 284,901</u>	<u>\$ 35,345,323</u>
Reconciliation of cash to cash and cash equivalents:					
Cash	\$ 2,346	\$ 1,177,261	\$ 538,726	\$ 284,901	\$ 2,003,234
Money market funds	-	18,025,113	15,316,976	-	33,342,089
Cash and cash equivalents at June 30, 2002	<u>\$ 2,346</u>	<u>\$ 19,202,374</u>	<u>\$ 15,855,702</u>	<u>\$ 284,901</u>	<u>\$ 35,345,323</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR REVENUE BOND FUNDS (continued)

Year ended June 30, 2002

	Multifamily Housing Revenue Bond Fund	Rental Housing System Revenue Bond Fund	State of Hawaii Affordable Rental Program	University of Hawaii Faculty Housing Program Revenue Bond Fund	Total
Cash flows from operating activities:					
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:					
Operating (loss) income	\$ (1,871,285)	\$ 2,533,799	\$ 797,223	\$ 840,020	\$ 2,299,757
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:					
Depreciation	-	3,331,881	1,563,594	-	4,895,475
Provision for (recovery of) losses	135,591	(70,337)	1,921	-	67,175
Changes in assets and liabilities:					
Mortgage loans receivables	(3,395,219)	-	-	-	(3,395,219)
Tenant receivables	-	(50,538)	(36,468)	-	(87,006)
Other receivables	(2,483)	197,983	34,044	41,654	271,198
Prepaid expenses and other assets	-	133	404	-	537
Net investment in lease financing	-	-	-	402,622	402,622
Accounts payable	(15,408)	(444,516)	(163,569)	(5,825)	(629,318)
Accrued interest payable	(218,887)	-	-	-	(218,887)
Other accrued expenses	6,575	9,269	(2,519)	-	13,325
Due to other funds	(77,115)	24,904	(11,919)	464	(63,666)
Security deposits	-	27,327	21,810	-	49,137
Net cash (used in) provided by operating activities	<u>\$ (5,438,231)</u>	<u>\$ 5,559,905</u>	<u>\$ 2,204,521</u>	<u>\$ 1,278,935</u>	<u>\$ 3,605,130</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – NONMAJOR OTHER ENTERPRISE FUNDS

June 30, 2002

	ASSETS	Housing Revolving Fund	Housing for Elders Revolving Fund	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekuilani Gardens Project	Kekumu at Waikoloa Project	Total
Current assets									
Cash		\$ 403,688	\$ 1,536,591	\$ 956,902	\$ 63,839	\$ 742,101	\$ 191,700	\$ 191	\$ 3,895,012
Investments		-	-	-	-	-	70,000	-	70,000
Receivables									
Accrued interest		10,456	17,163	13,155	1,493	-	-	-	42,267
Tenant receivables, less allowance for doubtful accounts		71,032	950	29,642	5,332	19,908	26,127	4,108	157,099
Other		31,446	-	-	-	16,828	1,722	-	49,996
Due from other funds		67,449	686,933	-	-	-	-	-	754,382
Due from HUD		-	-	-	14,808	11,581	-	-	26,389
Inventories									
Materials and supplies		4,509	37,618	-	-	-	-	-	42,127
Prepaid expenses and other assets		-	39,998	-	65,452	-	-	-	105,450
Deposits held in trust		-	-	-	14,926	17,768	34,580	21,780	89,054
Total current assets		588,580	2,319,253	999,699	165,850	808,186	324,129	26,079	5,231,776
Notes and loans		426,100	-	-	-	-	-	-	426,100
Other receivables		327,072	-	-	-	-	-	-	327,072
Advances to other funds		175,000	130,000	20,000	-	-	-	-	325,000
Restricted deposits and funded reserves		-	-	-	2,356,805	3,972,958	397,678	1,089	6,728,530
Capital assets, less accumulated depreciation		14,422,559	49,533,263	1,512,472	3,011,141	6,555,492	5,310,520	-	80,345,447
TOTAL ASSETS		<u>\$ 15,939,311</u>	<u>\$ 51,982,516</u>	<u>\$ 2,532,171</u>	<u>\$ 5,533,796</u>	<u>\$ 11,336,636</u>	<u>\$ 6,032,327</u>	<u>\$ 27,168</u>	<u>\$ 93,383,925</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – NONMAJOR OTHER ENTERPRISE FUNDS

June 30, 2002

LIABILITIES AND NET ASSETS	Housing Revolving Fund	Housing for Elders Revolving Fund	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekuilani Gardens Project	Kekumu at Waikoloa Project	Total
Current liabilities								
Accounts payable	\$ 2,131	\$ 25	\$ 3,334	\$ 34,233	\$ 15,450	\$ 5,146	\$ 140	\$ 60,459
Accrued expenses								
Interest	-	-	-	69,735	-	-	-	69,735
Other	92,716	77,828	6,097	-	13,846	-	283,776	474,263
Due to other funds	1,161,804	506	68	-	-	-	-	1,162,378
Due to HUD	-	-	-	-	4,313	-	-	4,313
Security deposits	69,687	93,646	17,048	13,019	17,768	35,828	21,780	268,776
Mortgage payable	-	-	-	72,000	-	27,571	-	99,571
Deferred income	-	-	-	-	1,658	188	-	1,846
Total current liabilities	1,326,338	172,005	26,547	188,987	53,035	68,733	305,696	2,141,341
Note payable, net of current portion	-	-	-	171,327	-	-	-	171,327
Mortgage payable, net of current portion	-	-	-	814,730	-	5,745,221	-	6,559,951
Net assets								
Invested in capital assets, net of related debt	14,422,559 #	49,533,263 #	1,512,472 #	1,953,084	6,555,492	(462,272)	-	73,514,598
Restricted by legislation and contractual agreements	-	-	-	2,356,805	3,972,958	397,678	1,089	6,728,530
Unrestricted	190,414	2,277,248	993,152	48,863	755,151	282,967	(279,617)	4,268,178
Total net assets	14,612,973	51,810,511	2,505,624	4,358,752	11,283,601	218,373	(278,528)	84,511,306
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,939,311</u>	<u>\$ 51,982,516</u>	<u>\$ 2,532,171</u>	<u>\$ 5,533,796</u>	<u>\$ 11,336,636</u>	<u>\$ 6,032,327</u>	<u>\$ 27,168</u>	<u>\$ 93,383,925</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF REVENUES AND EXPENSES – NONMAJOR OTHER ENTERPRISE FUNDS

Year ended June 30, 2002

	Housing Revolving Fund	Housing for Elders Revolving Fund	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekuilani Garden Project	Kekumu at Waikoloa Project	Total
Operating revenues								
Rental	\$ 1,341,749	\$ 1,650,859	\$ 216,120	\$ 432,441	\$ 758,836	\$ 433,306	\$ 316,304	\$ 5,149,615
Other	75,055	-	25	11,084	63,749	18,470	6,513	174,896
Total operating revenues	1,416,804	1,650,859	216,145	443,525	822,585	451,776	322,817	5,324,511
Operating expenses								
Personal services	866,005	330,908	76,221	58,338	145,108	91,640	89,900	1,658,120
Depreciation	481,532	1,388,666	64,191	142,878	354,319	152,908	-	2,584,494
Administration	235,117	25,535	24,638	24,800	62,324	18,592	208,946	599,952
Provision for losses	166,819	2,424	-	2,290	-	12,084	-	183,617
Professional services	60,558	28,984	11,598	13,700	15,897	12,873	952	144,562
Mortgage insurance	-	-	-	6,232	-	-	-	6,232
Security	1,639	778	27	-	46,529	-	-	48,973
Insurance	13,858	13,140	3,066	353	2,589	-	-	33,006
Repairs and maintenance	487,408	496,864	44,393	58,678	69,721	43,098	20,154	1,220,316
Utilities	524,358	513,926	8,034	34,102	72,626	35,952	54,461	1,243,459
Capital expenditures	37,090	9,915	104,960	-	-	-	-	151,965
Other	(47,792)	45,448	675	900	-	23,520	-	22,751
Total operating expenses	2,826,592	2,856,588	337,803	342,271	769,113	390,667	374,413	7,897,447
Operating (loss) income	(1,409,788)	(1,205,729)	(121,658)	101,254	53,472	61,109	(51,596)	(2,572,936)
Nonoperating revenues (expenses)								
Interest income - investments	143,702	49,666	31,291	26,179	110,174	10,655	-	371,667
Interest expense	(5,888)	-	(422)	(69,263)	-	(124,084)	-	(199,657)
Loss on disposal of property and equipment	(2,744,532)	(862)	-	-	-	-	-	(2,745,394)
Total nonoperating revenues (expenses)	(2,606,718)	48,804	30,869	(43,084)	110,174	(113,429)	-	(2,573,384)
(Loss) income before operating transfers	(4,016,506)	(1,156,925)	(90,789)	58,170	163,646	(52,320)	(51,596)	(5,146,320)
Operating transfers in	420,915	-	-	-	-	-	47,895	468,810
CHANGE IN NET ASSETS	<u>\$ (3,595,591)</u>	<u>\$ (1,156,925)</u>	<u>\$ (90,789)</u>	<u>\$ 58,170</u>	<u>\$ 163,646</u>	<u>\$ (52,320)</u>	<u>\$ (3,701)</u>	<u>\$ (4,677,510)</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CHANGES IN FUND NET ASSETS – NONMAJOR OTHER ENTERPRISE FUNDS

Year ended June 30, 2002

	Housing Revolving Fund	Housing for Elders Revolving Fund	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekuilani Gardens Project	Kekumu at Waikoloa Project	Total
Net assets at July 1, 2001	\$ 18,208,564	\$ 52,967,436	\$ 2,596,413	\$ 4,300,582	\$ 11,119,955	\$ 270,693	\$ (274,827)	\$ 89,188,816
Change in net assets	(3,595,591)	(1,156,925)	(90,789)	58,170	163,646	(52,320)	(3,701)	(4,677,510)
Net assets at June 30, 2002	<u>\$ 14,612,973</u>	<u>\$ 51,810,511</u>	<u>\$ 2,505,624</u>	<u>\$ 4,358,752</u>	<u>\$ 11,283,601</u>	<u>\$ 218,373</u>	<u>\$ (278,528)</u>	<u>\$ 84,511,306</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER ENTERPRISE FUNDS

Year ended June 30, 2002

	Housing Revolving Fund	Housing for Elders Revolving Fund	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekuilani Gardens Project	Kekumu at Waikoloa Project	Total
Cash flows from operating activities:								
Cash received from renters	\$ 1,181,768	\$ 1,664,745	\$ 228,737	\$ 425,156	\$ 749,616	\$ 416,639	\$ 316,293	\$ 4,982,954
Cash payments to employees	(866,005)	(330,908)	(76,221)	(58,338)	(145,108)	(91,640)	(89,900)	(1,658,120)
Cash payments to suppliers	(1,416,833)	(1,080,639)	(198,885)	(120,269)	(272,066)	(143,643)	(284,513)	(3,516,848)
Cash receipts from other funds	369,919	36,314	4,863	-	-	-	-	411,096
Other cash receipts (payments)	108,200	(45,598)	(650)	179	52,791	16,858	6,513	138,293
Net cash (used in) provided by operating activities	(622,951)	243,914	(42,156)	246,728	385,233	198,214	(51,607)	357,375
Cash flows from noncapital financing activities:								
Interest paid to Department of Budget and Finance	(5,888)	-	(422)	-	-	-	-	(6,310)
Operating transfers in	420,915	-	-	-	-	-	47,895	468,810
Net cash provided by (used in) noncapital financing activities	415,027	-	(422)	-	-	-	47,895	462,500
Cash flows from capital and related financing activities:								
Principal payments on mortgage loans	-	-	-	(67,177)	-	(26,334)	-	(93,511)
Payments of interest	-	-	-	(69,265)	-	(124,084)	-	(193,349)
Payments for acquisition of property and equipment	(34,204)	-	-	(9,599)	(63,702)	(7,661)	-	(115,166)
Net cash used in capital and related financing activities	(34,204)	-	-	(146,041)	(63,702)	(158,079)	-	(402,026)
Cash flows from investing activities:								
Receipts of interest	131,100	58,976	37,773	28,312	110,174	10,655	-	376,990
Net increase in restricted deposits and funded reserves	-	-	-	(174,518)	(179,367)	(58,587)	(4)	(412,476)
Net cash provided by (used in) investing activities	131,100	58,976	37,773	(146,206)	(69,193)	(47,932)	(4)	(35,486)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(111,028)	302,890	(4,805)	(45,519)	252,338	(7,797)	(3,716)	382,363
Cash and cash equivalents at July 1, 2001	514,716	1,233,701	961,707	109,358	489,763	199,497	3,907	3,512,649
Cash and cash equivalents at June 30, 2002	<u>\$ 403,688</u>	<u>\$ 1,536,591</u>	<u>\$ 956,902</u>	<u>\$ 63,839</u>	<u>\$ 742,101</u>	<u>\$ 191,700</u>	<u>\$ 191</u>	<u>\$ 3,895,012</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER ENTERPRISE FUNDS (continued)

Year ended June 30, 2002

	Housing Revolving Fund	Housing for Elders Revolving Fund	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekuilani Gardens Project	Kekumu at Waikoloa Project	Total
Cash flows from operating activities:								
Reconciliation of operating (loss) income to net cash (used in)								
provided by operating activities:								
Operating (loss) income	\$ (1,409,788)	\$ (1,205,729)	\$ (121,658)	\$ 101,254	\$ 53,472	\$ 61,109	\$ (51,596)	\$ (2,572,936)
Adjustments to reconcile operating (loss) income to								
net cash (used in) provided by operating activities:								
Depreciation	481,532	1,388,666	64,191	142,878	354,319	152,908	-	2,584,494
Provision for losses	166,819	2,424	-	2,290	-	12,084	-	183,617
Changes in assets and liabilities:								
Tenant receivables	(156,958)	(3,788)	10,683	(5,378)	(9,220)	(17,627)	(11)	(182,299)
Other receivables	(14,647)	(150)	-	-	(4,981)	(1,722)	-	(21,500)
Due from other funds	(67,449)	44,224	-	-	-	-	-	(23,225)
Due from HUD	-	-	-	(7,655)	(6,916)	-	-	(14,571)
Inventories	41,308	11,344	-	-	-	-	-	52,652
Prepaid expenses and other assets	-	2	-	3,984	-	-	-	3,986
Deposits held in trust	-	-	-	(258)	(1,014)	1,636	1,054	1,418
Accounts payable	(1,229)	3,718	(1,664)	15,398	(12,570)	(9,608)	-	(5,955)
Other accrued expenses	(96,884)	(6,561)	(505)	(886)	10,190	-	-	(94,646)
Due to other funds	437,368	(7,910)	4,863	-	-	-	-	434,321
Due to HUD	-	-	-	(2,730)	994	-	-	(1,736)
Security deposits	(3,023)	17,674	1,934	(1,649)	1,014	(676)	(1,054)	14,220
Deferred income	-	-	-	(520)	(55)	110	-	(465)
Net cash (used in) provided by								
operating activities	<u>\$ (622,951)</u>	<u>\$ 243,914</u>	<u>\$ (42,156)</u>	<u>\$ 246,728</u>	<u>\$ 385,233</u>	<u>\$ 198,214</u>	<u>\$ (51,607)</u>	<u>\$ 357,375</u>



State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – NONMAJOR MISCELLANEOUS ENTERPRISE FUNDS

June 30, 2002

ASSETS	Fee Simple Residential Revolving Fund	Hawaii Development Revolving Fund	Rental Assistance Fund	Housing Finance Revolving Fund	Disbursing Fund	Rental Housing Trust Fund	Housing Alteration Revolving Loan Fund	Federal Grant Program Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Current Assets												
Cash	\$ 679,064	\$ 425,457	\$ 27,412,720	\$ 9,409,090	\$ 2,623,429	\$ 20,202,413	\$ 272,001	\$ -	\$ 132,937	\$ -	\$ 11,567	\$ 61,168,678
Investments	-	-	1,491,945	-	-	-	-	-	-	-	-	1,491,945
Receivables												
Mortgage loans	-	-	-	166,280	-	389,844	-	-	-	4,921	6,086	567,131
Notes and loans	-	-	884,083	-	-	-	-	-	-	-	-	884,083
Accrued interest	9,391	731	750,861	266,453	-	755,213	3,387	-	-	655	251	1,786,942
Other	-	-	-	-	-	-	-	39,083	-	-	-	39,083
Due from other funds	108,800	-	-	138,859	3,337,351	-	-	-	-	-	-	3,585,010
Due from State of Hawaii	-	-	-	-	2,972	-	-	-	-	-	-	2,972
Inventories												
Materials and supplies	-	-	-	-	84,981	-	-	-	-	-	-	84,981
Prepaid expenses and other assets	-	-	179,294	63,990	14,965	-	-	-	-	-	-	258,249
Deposits held in trust	6,867	-	-	-	-	-	-	-	-	-	-	6,867
Total current assets	804,122	426,188	30,718,903	10,044,672	6,063,698	21,347,470	275,388	39,083	132,937	5,576	17,904	69,875,941
Investments	-	-	12,278,175	61,231	-	-	-	-	-	-	-	12,339,406
Mortgage loans, net of current portion	-	-	2,249,985	2,040,494	-	38,541,462	-	-	-	30,936	45,799	42,908,676
Other receivables	527,157	-	-	-	-	-	-	-	-	-	-	527,157
TOTAL ASSETS	<u>\$ 1,331,279</u>	<u>\$ 426,188</u>	<u>\$ 45,247,063</u>	<u>\$ 12,146,397</u>	<u>\$ 6,063,698</u>	<u>\$ 59,888,932</u>	<u>\$ 275,388</u>	<u>\$ 39,083</u>	<u>\$ 132,937</u>	<u>\$ 36,512</u>	<u>\$ 63,703</u>	<u>\$ 125,651,180</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – NONMAJOR MISCELLANEOUS ENTERPRISE FUNDS

June 30, 2002

LIABILITIES AND NET ASSETS	Fee Simple Residential Revolving Fund	Hawaii Development Revolving Fund	Rental Assistance Fund	Housing Finance Revolving Fund	Disbursing Fund	Rental Housing Trust Fund	Housing Alteration Revolving Loan Fund	Federal Grant Program Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Current Liabilities												
Accounts payable	\$ 6,052	\$ -	\$ -	\$ 905	\$ 2,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,390
Accrued expenses												
Other	16,785	-	32,446	104,109	20,578	-	2,422	-	-	-	-	176,340
Due to other funds	80	-	9	660	5,891,736	8,047	-	39,083	-	6,176	18,610	5,964,401
Due to State of Hawaii, including Office of Hawaiian Affairs	-	-	-	-	25,000	-	-	-	-	-	-	25,000
Security deposits	6,867	-	-	350,400	-	-	-	-	-	-	-	357,267
Total current liabilities	29,784	-	32,455	456,074	5,939,747	8,047	2,422	39,083	-	6,176	18,610	6,532,398
Net assets												
Restricted by legislation and contractual agreements	-	-	-	-	-	-	272,966	-	-	30,336	45,093	348,395
Unrestricted	1,301,495	426,188	45,214,608	11,690,323	123,951	59,880,885	-	-	132,937	-	-	118,770,387
Total net assets	1,301,495	426,188	45,214,608	11,690,323	123,951	59,880,885	272,966	-	132,937	30,336	45,093	119,118,782
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,331,279</u>	<u>\$ 426,188</u>	<u>\$ 45,247,063</u>	<u>\$ 12,146,397</u>	<u>\$ 6,063,698</u>	<u>\$ 59,888,932</u>	<u>\$ 275,388</u>	<u>\$ 39,083</u>	<u>\$ 132,937</u>	<u>\$ 36,512</u>	<u>\$ 63,703</u>	<u>\$ 125,651,180</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF REVENUES AND EXPENSES – NONMAJOR MISCELLANEOUS ENTERPRISE FUNDS

Year ended June 30, 2002

	Fee Simple Residential Revolving Fund	Hawaii Development Revolving Fund	Rental Assistance Fund	Housing Finance Revolving Fund	Disbursing Fund	Rental Housing Trust Fund	Housing Alteration Revolving Loan Fund	Federal Grant Program Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Operating revenues												
Interest on mortgages, notes, loans and mortgage-backed securities	\$ -	\$ -	\$ 1,018,426	\$ 142,354	\$ -	\$ 481,045	\$ -	\$ -	\$ -	\$ 900	\$ 1,361	\$ 1,644,086
Conveyance tax	-	-	-	-	-	2,517,016	-	-	-	-	-	2,517,016
Other	38,105	187	100,000	195,304	-	-	-	1,134,789	-	122	-	1,468,507
Total operating revenues	38,105	187	1,118,426	337,658	-	2,998,061	-	1,134,789	-	1,022	1,361	5,629,609
Operating expenses												
Project	-	-	-	-	-	21,673	-	1,071,952	-	-	-	1,093,625
Personal services	69,908	13	58,948	256,853	-	90,528	2,608	45,303	-	-	-	524,161
Depreciation	-	-	-	-	-	-	-	522	-	-	-	522
Housing assistance payments	-	-	2,188,622	-	-	-	-	-	-	-	-	2,188,622
Administration	24,785	-	29,654	116,877	-	4,808	1,267	15,378	-	-	-	192,769
Provision for losses	42,140	-	-	50,778	-	-	-	-	-	-	-	92,918
Professional services	5,623	3,020	10,080	14,932	-	23,640	1,845	2,156	-	904	1,050	63,250
Security	18	-	37	22	-	-	-	-	-	-	-	77
Insurance	3,597	-	4,108	13,328	-	-	338	-	-	-	-	21,371
Repairs and maintenance	1,672	-	2,798	5,290	-	220	104	-	-	-	-	10,084
Other	58,638	-	-	138,598	-	-	-	-	-	-	-	197,236
Total operating expenses	206,381	3,033	2,294,247	596,678	-	140,869	6,162	1,135,311	-	904	1,050	4,384,635
Operating (loss) income	(168,276)	(2,846)	(1,175,821)	(259,020)	-	2,857,192	(6,162)	(522)	-	118	311	1,244,974
Nonoperating revenues (expenses)												
Interest income - investments	26,075	15,264	1,940,257	351,749	-	704,123	9,817	-	2,002	-	-	3,049,287
Net increase in fair value of investments	-	-	580,128	2,355	-	-	-	-	-	-	-	582,483
Interest expense	(507)	-	(777)	(5,895)	-	-	(42)	-	-	-	-	(7,221)
Contributions returned to the State of Hawaii	-	-	-	-	-	-	-	-	-	(13,582)	-	(13,582)
Other income	-	-	605,021	-	-	1,600	-	-	-	-	-	606,621
Total nonoperating revenues (expenses)	25,568	15,264	3,124,629	348,209	-	705,723	9,775	-	2,002	(13,582)	-	4,217,588
CHANGE IN NET ASSETS	<u>\$ (142,708)</u>	<u>\$ 12,418</u>	<u>\$ 1,948,808</u>	<u>\$ 89,189</u>	<u>\$ -</u>	<u>\$ 3,562,915</u>	<u>\$ 3,613</u>	<u>\$ (522)</u>	<u>\$ 2,002</u>	<u>\$ (13,464)</u>	<u>\$ 311</u>	<u>\$ 5,462,562</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CHANGES IN FUND NET ASSETS – NONMAJOR MISCELLANEOUS ENTERPRISE FUNDS

Year ended June 30, 2002

	Fee Simple Residential Revolving Fund	Hawaii Development Revolving Fund	Rental Assistance Fund	Housing Finance Revolving Fund	Disbursing Fund	Rental Housing Trust Fund	Housing Alteration Revolving Loan Fund	Federal Grant Program Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Net assets at July 1, 2001	\$ 1,444,203	\$ 413,770	\$ 43,265,800	\$ 11,601,134	\$ 123,951	\$ 56,317,970	\$ 269,353	\$ 522	\$ 130,935	\$ 43,800	\$ 44,782	\$ 113,656,220
Change in net assets	<u>(142,708)</u>	<u>12,418</u>	<u>1,948,808</u>	<u>89,189</u>	<u>-</u>	<u>3,562,915</u>	<u>3,613</u>	<u>(522)</u>	<u>2,002</u>	<u>(13,464)</u>	<u>311</u>	<u>5,462,562</u>
Net assets at June 30, 2002	<u>\$ 1,301,495</u>	<u>\$ 426,188</u>	<u>\$ 45,214,608</u>	<u>\$ 11,690,323</u>	<u>\$ 123,951</u>	<u>\$ 59,880,885</u>	<u>\$ 272,966</u>	<u>\$ -</u>	<u>\$ 132,937</u>	<u>\$ 30,336</u>	<u>\$ 45,093</u>	<u>\$ 119,118,782</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR MISCELLANEOUS ENTERPRISE FUNDS

Year ended June 30, 2002

	Fee Simple Revolving Fund	Hawaii Development Revolving Fund	Rental Assistance Fund	Housing Finance Revolving Fund	Disbursing Fund	Rental Housing Trust Fund	Housing Alteration Revolving Loan Fund	Federal Grant Program Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Cash flows from operating activities:												
Cash received from borrowers												
Principal repayments	\$ 98,494	\$ -	\$ 5,218,056	\$ 219,001	\$ -	\$ 796,412	\$ -	\$ -	\$ -	\$ 13,583	\$ 3,872	\$ 6,349,418
Interest income	-	-	1,672,824	123,714	-	400,620	-	-	-	1,022	1,361	2,199,541
Cash received for conveyance taxes	-	-	-	-	-	2,517,016	-	-	-	-	-	2,517,016
Cash payments for loan originations	-	-	(3,134,068)	-	-	(4,103,825)	-	-	-	-	-	(7,237,893)
Cash payments to employees	(69,908)	(13)	(58,948)	(256,853)	-	(90,528)	(2,608)	(45,303)	-	-	-	(524,161)
Cash payments to suppliers	(95,578)	(3,020)	(2,315,264)	(218,237)	(9,556)	(50,341)	(2,350)	(1,089,486)	-	(904)	(1,361)	(3,786,097)
Cash receipts from (payments to) other funds	(8,512)	-	(34)	145,579	(746,901)	8,047	-	(3,292)	-	(119)	-	(605,232)
Other cash receipts (payments)	38,105	187	100,000	195,304	-	(6,400)	-	1,138,081	-	-	-	1,465,277
Net cash (used in) provided by operating activities	(37,399)	(2,846)	1,482,566	208,508	(756,457)	(528,999)	(4,958)	-	-	13,582	3,872	377,869
Cash flows from noncapital financing activities:												
Interest paid to the Department of Budget and Finance	(507)	-	(777)	(5,895)	-	-	(42)	-	-	-	-	(7,221)
Contributions returned to State of Hawaii and other	-	-	-	-	-	-	-	-	-	(13,582)	-	(13,582)
Net cash used in noncapital financing activities	(507)	-	(777)	(5,895)	-	-	(42)	-	-	(13,582)	-	(20,803)
Cash flows from investing activities:												
Proceeds from maturities of investments	-	-	-	5,342	-	-	-	-	-	-	-	5,342
Receipts of interest	31,375	17,281	2,122,004	418,646	-	854,420	11,874	-	2,002	-	-	3,457,602
Net cash provided by investing activities	31,375	17,281	2,122,004	423,988	-	854,420	11,874	-	2,002	-	-	3,462,944
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,531)	14,435	3,603,793	626,601	(756,457)	325,421	6,874	-	2,002	-	3,872	3,820,010
Cash and cash equivalents at July 1, 2001	685,595	411,022	23,808,927	8,782,489	3,379,886	19,876,992	265,127	-	130,935	-	7,695	57,348,668
Cash and cash equivalents at June 30, 2002	\$ 679,064	\$ 425,457	\$ 27,412,720	\$ 9,409,090	\$ 2,623,429	\$ 20,202,413	\$ 272,001	\$ -	\$ 132,937	\$ -	\$ 11,567	\$ 61,168,678

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR MISCELLANEOUS ENTERPRISE FUNDS (continued)

Year ended June 30, 2002

	Fee Simple Residential Revolving Fund	Hawaii Development Revolving Fund	Rental Assistance Fund	Housing Finance Revolving Fund	Disbursing Fund	Rental Housing Trust Fund	Housing Alteration Revolving Loan Fund	Federal Grant Program Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Cash flows from operating activities:												
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:												
Operating (loss) income	\$ (168,276)	\$ (2,846)	\$ (1,175,821)	\$ (259,020)	\$ -	\$ 2,857,192	\$ (6,162)	\$ (522)	\$ -	\$ 118	\$ 311	\$ 1,244,974
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:												
Depreciation	-	-	-	-	-	-	-	522	-	-	-	522
Provision for losses	42,140	-	-	50,778	-	-	-	-	-	-	-	92,918
Changes in assets and liabilities:												
Mortgage loans receivables	-	-	(1,338,332)	223,468	-	(3,307,413)	-	-	-	13,583	3,872	(4,404,822)
Notes and loans receivables	-	-	3,422,320	11,460	-	-	-	-	-	-	-	3,433,780
Accrued interest receivable on mortgages, notes and loans	-	-	654,398	(18,640)	-	(86,825)	-	3,292	-	-	-	552,225
Other receivables	98,494	-	-	-	-	-	-	-	-	-	-	98,494
Due from other funds	(8,537)	-	-	145,673	(684,150)	-	-	-	-	-	-	(547,014)
Due from State of Hawaii	-	-	-	-	3,527	-	-	-	-	-	-	3,527
Inventories	-	-	-	-	37,813	-	-	-	-	-	-	37,813
Prepaid expenses and other assets	-	-	(92,695)	18,019	(3,243)	-	-	-	-	-	-	(77,919)
Deposits held in trust	1,879	-	-	-	-	-	-	-	-	-	-	1,879
Accounts payable	(1,599)	-	-	(3,586)	(198)	-	-	-	-	-	-	(5,383)
Other accrued expenses	354	-	12,730	56,377	(43,928)	-	1,204	-	-	-	-	26,737
Due to other funds	25	-	(34)	(94)	(16,278)	8,047	-	(3,292)	-	(119)	(311)	(12,056)
Due to State of Hawaii, including Office of Hawaiian Affairs	-	-	-	-	(50,000)	-	-	-	-	-	-	(50,000)
Security deposits	(1,879)	-	-	(15,927)	-	-	-	-	-	-	-	(17,806)
Net cash (used in) provided by operating activities	<u>\$ (37,399)</u>	<u>\$ (2,846)</u>	<u>\$ 1,482,566</u>	<u>\$ 208,508</u>	<u>\$ (756,457)</u>	<u>\$ (528,999)</u>	<u>\$ (4,958)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,582</u>	<u>\$ 3,872</u>	<u>\$ 377,869</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF NET ASSETS – INTERNAL SERVICE FUNDS

June 30, 2002

ASSETS	Equipment rental	Vehicle rental	Total
Current assets			
Cash	\$ 775,794	\$ 453,064	\$ 1,228,858
Accrued interest receivable	6,207	5,125	11,332
Due from other funds	14,315	-	14,315
	<u>796,316</u>	<u>458,189</u>	<u>1,254,505</u>
Total current assets	796,316	458,189	1,254,505
Capital assets, less accumulated depreciation	<u>104,027</u>	<u>70,995</u>	<u>175,022</u>
	<u>\$ 900,343</u>	<u>\$ 529,184</u>	<u>\$ 1,429,527</u>
TOTAL ASSETS	<u>\$ 900,343</u>	<u>\$ 529,184</u>	<u>\$ 1,429,527</u>
LIABILITIES AND NET ASSETS			
Net assets			
Invested in capital assets	\$ 104,027	\$ 70,995	\$ 175,022
Unrestricted	796,316	458,189	1,254,505
	<u>900,343</u>	<u>529,184</u>	<u>1,429,527</u>
Total net assets	900,343	529,184	1,429,527
	<u>\$ 900,343</u>	<u>\$ 529,184</u>	<u>\$ 1,429,527</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 900,343</u>	<u>\$ 529,184</u>	<u>\$ 1,429,527</u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF REVENUES AND EXPENSES AND  
CHANGES IN FUND NET ASSETS – INTERNAL SERVICE FUNDS

Year ended June 30, 2002

	<u>Equipment rental</u>	<u>Vehicle rental</u>	<u>Total</u>
Operating revenues			
Rental	<u>\$ 132,069</u>	<u>\$ 24,511</u>	<u>\$ 156,580</u>
Total operating revenues	132,069	24,511	156,580
Operating expenses			
Depreciation	64,559	20,019	84,578
Professional services	1,922	2,492	4,414
Capital expenditures	59,890	-	59,890
Other	<u>164</u>	<u>-</u>	<u>164</u>
Total operating expenses	<u>126,535</u>	<u>22,511</u>	<u>149,046</u>
Operating income	5,534	2,000	7,534
Nonoperating revenue			
Interest income - investments	<u>25,927</u>	<u>15,996</u>	<u>41,923</u>
Total nonoperating revenue	<u>25,927</u>	<u>15,996</u>	<u>41,923</u>
Change in net assets	31,461	17,996	49,457
Net assets at July 1, 2001	<u>868,882</u>	<u>511,188</u>	<u>1,380,070</u>
Net assets at June 30, 2002	<u><u>\$ 900,343</u></u>	<u><u>\$ 529,184</u></u>	<u><u>\$ 1,429,527</u></u>



State of Hawaii  
Housing and Community Development Corporation of Hawaii

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year ended June 30, 2002

	Equipment rental	Vehicle rental	Total
Cash flows from operating activities:			
Cash received from renters	\$ 132,069	\$ 24,511	\$ 156,580
Cash payments to suppliers	(61,976)	(2,492)	(64,468)
Cash receipts from (payments to) other funds	6,304	(17,189)	(10,885)
	<u>76,397</u>	<u>4,830</u>	<u>81,227</u>
Net cash provided by operating activities	76,397	4,830	81,227
Cash flows used in capital and related financing activities:			
Payments for acquisition of property and equipment	(6,832)	-	(6,832)
Cash flows provided by investing activities:			
Receipts of interest	30,985	19,259	50,244
	<u>30,985</u>	<u>19,259</u>	<u>50,244</u>
Net cash provided by investing activities	30,985	19,259	50,244
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,550	24,089	124,639
Cash and cash equivalents at July 1, 2001	<u>675,244</u>	<u>428,975</u>	<u>1,104,219</u>
Cash and cash equivalents at June 30, 2002	<u><u>\$ 775,794</u></u>	<u><u>\$ 453,064</u></u>	<u><u>\$ 1,228,858</u></u>
Cash flows from operating activities:			
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 5,534	\$ 2,000	\$ 7,534
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	64,559	20,019	84,578
Changes in assets and liabilities:			
Due from other funds	12,232	7,675	19,907
Due to other funds	(5,928)	(24,864)	(30,792)
	<u>76,397</u>	<u>4,830</u>	<u>81,227</u>
Net cash provided by operating activities	<u><u>\$ 76,397</u></u>	<u><u>\$ 4,830</u></u>	<u><u>\$ 81,227</u></u>

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

June 30, 2002

The Corporation's cash and short-term investments consists of the following as of June 30, 2002:

Equity in State Treasury investment pool	\$ 173,144,734
Cash in banks	9,727,209
Cash held by trustees	75,259
Certificates of deposits and money market funds	44,880,908
Deposits held in trust	95,921
	<hr/>
	\$ 227,924,031
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Total cash and short-term investments are in agreement with the State Comptroller's central accounting records as of June 30, 2002, as reconciled below:

	Appropriation symbol	June 30, 2002
	<hr/>	<hr/>
Cash in State Treasury		
General Fund	G-00-022-B	\$ 6,212
	G-01-022-B	67,333
	G-02-020-B	125,496
	G-02-022-B	297,696
	G-02-024-B	2,168
	G-02-310-B	7,653
	G-99-022-B	19,932
	G-99-305-B	28,080
	G-96-022-K	300
	G-96-022-K	15,000
	G-96-022-K	9,461
Bond Funds	B-00-405-B	591,630
	B-00-406-B	48,401
	B-00-407-B	887,346
	B-01-410-B	2,400,000
	B-01-411-B	225,000
	B-01-412-B	750,000
	B-01-413-B	100
	B-01-414-B	2,281
		<hr/>
Subtotal carried forward		\$ 5,484,089

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS (continued)

June 30, 2002

	Appropriation symbol	June 30, 2002
Subtotal brought forward		\$ 5,484,089
Bond Funds (continued)	B-01-415-B	72,831
	B-85-800-K	5,000
	B-85-801-K	30,414
	B-97-471-B	179,603
	B-97-479-B	30,082
	B-97-481-B	22,070
	B-97-482-B	44
	B-98-426-B	2,989,300
	B-98-431-B	724
	B-99-423-B	145
	B-00-404-B	215,357
Special Funds	S-00-318-B	12,445
	S-00-332-B	1,498
	S-00-337-B	10,234
	S-01-318-B	107,414
	S-01-332-B	1,687,267
	S-01-337-B	34,803
	S-01-800-B	3,909,556
	S-01-801-B	24,750
	S-02-210-B	1,011
	S-02-295-B	195
	S-02-311-B	41,465
	S-02-318-B	132,237
	S-02-320-B	178,325
	S-02-321-B	119,565
	S-02-325-B	11,566
	S-02-329-B	914
	S-02-332-B	989,808
	S-02-334-B	915,238
	S-02-335-B	453,064
	S-02-336-B	775,794
	S-02-339-B	1,769
Subtotal carried forward		\$ 18,438,577

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS (continued)

June 30, 2002

	<u>Appropriation symbol</u>	<u>June 30, 2002</u>
Subtotal brought forward		\$ 18,438,577
Special Funds (continued)	S-02-370-B	5,311,961
	S-02-371-B	272,001
	S-02-337-B	1,364,097
	S-02-374-B	678,149
	S-02-375-B	88,086,086
	S-02-376-B	9,289,525
	S-02-377-B	284,901
	S-02-378-B	27,412,720
	S-02-379-B	425,457
	S-96-302-K	5,925
	S-97-302-K	2,088
	S-97-801-B	10,889
	S-97-803-B	26,991
	S-98-302-K	490
	S-98-332-B	2,930
	S-99-318-B	6,507
	S-99-337-B	4,657
	S-99-801-B	1,037,658
Trust Funds	T-00-927-B	6
	T-02-913-B	1,212
	T-02-927-B	260,608
	T-02-930-B	<u>20,202,413</u>
Total cash held in State Treasury as reported by State Comptroller's accounting records carried forward		\$ 173,125,848

State of Hawaii  
Housing and Community Development Corporation of Hawaii

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS (continued)

June 30, 2002

	<u>Appropriation symbol</u>	<u>June 30, 2002</u>
Total cash held in State Treasury as reported by State Comptroller's accounting records brought forward		\$ 173,125,848
Reconciling items:		
Summary warrant vouchers not recorded on books		1,194
Summary warrant vouchers not recorded by DAGS		339
Journal vouchers not recorded on books		5,039
Adjustments not recorded on books		13,088
Other		(774)
		<u>18,886</u>
Cash and short-term investments held outside State Treasury:		
Cash in bank		9,727,209
Cash held by trustees		75,259
Investments held by bank		4,343,180
Investments held by trustees		40,537,728
Deposits held in trust		95,921
		<u>54,779,297</u>
Cash and short-term investments on statement of net assets		<u><u>\$ 227,924,031</u></u>